

# Senate Study Bill 1103

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CO=CHAIRPERSONS FRAISE  
AND JOHNSON)

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

## A BILL FOR

1 An Act relating to the establishment of a form of business  
2 association referred to as a cooperative, and providing for  
3 fees and tax credits, providing penalties, and providing  
4 effective dates.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 1021SC 81  
7 da/cf/24

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1 1 DIVISION I  
1 2 ENACTMENT OF IOWA COOPERATIVE ASSOCIATIONS ACT  
1 3 SUBCHAPTER 1  
1 4 GENERAL PROVISIONS  
1 5 Section 1. NEW SECTION. 501A.101 SHORT TITLE.  
1 6 This chapter shall be known and may be cited as the "Iowa  
1 7 Cooperative Associations Act".  
1 8 Sec. 2. NEW SECTION. 501A.102 DEFINITIONS.  
1 9 As used in this chapter, unless the context otherwise  
1 10 requires:  
1 11 1. "Address" means mailing address, including a zip code.  
1 12 In the case of a registered address, the term means the  
1 13 mailing address and the actual office location, which shall  
1 14 not be a post office box.  
1 15 2. "Alternative ballot" means a method of voting for a  
1 16 candidate or issue prescribed by the board in advance of the  
1 17 vote, and may include voting by electronic, telephonic,  
1 18 internet, or other means that reasonably allow members the  
1 19 opportunity to vote.  
1 20 3. "Articles" means the articles of organization of a  
1 21 cooperative as originally filed or subsequently amended as  
1 22 provided in this chapter.  
1 23 4. "Association" means a business entity on a cooperative  
1 24 plan and organized under the laws of this state or another  
1 25 state or that is chartered to conduct business under the laws  
1 26 of another state.  
1 27 5. "Board" means the board of directors of a cooperative.  
1 28 6. "Business entity" means a person organized under  
1 29 statute or common law in this state or another jurisdiction  
1 30 for purposes of engaging in a commercial activity on a profit,  
1 31 cooperative, or not-for-profit basis, including but not  
1 32 limited to a corporation or entity taxed as a corporation  
1 33 under the Internal Revenue Code, nonprofit corporation,  
1 34 cooperative or cooperative association, partnership, limited  
1 35 partnership, limited liability company, limited liability  
2 1 partnership, investment company, joint stock company, joint  
2 2 stock association, or trust, including but not limited to a  
2 3 business trust.  
2 4 7. "Cooperative" means a business association organized  
2 5 under this chapter.  
2 6 8. "Crop" means a plant used for food, animal feed, fiber,  
2 7 or oil, if the plant is classified as a forage or cereal  
2 8 plant, including but not limited to alfalfa, barley,  
2 9 buckwheat, corn, flax, forage, millet, oats, popcorn, rye,  
2 10 sorghum, soybeans, sunflowers, wheat, and grasses used for  
2 11 forage or silage.  
2 12 9. "Domestic business entity" means a business entity  
2 13 organized under the laws of this state, including but not

2 14 limited to a corporation organized pursuant to chapter 490; a  
2 15 nonprofit corporation organized under chapter 504A; a limited  
2 16 liability company as defined in section 490A.102; a  
2 17 partnership or limited liability partnership as provided in  
2 18 chapter 486A, 487, or 488; or cooperative association or other  
2 19 cooperative organized under this chapter or chapter 497, 498,  
2 20 499, or 501.

2 21 10. "Domestic cooperative" means a cooperative association  
2 22 or other cooperative organized under this chapter or chapter  
2 23 497, 498, 499, or 501.

2 24 11. "Foreign business entity" means a business entity that  
2 25 is not a domestic business entity.

2 26 12. "Foreign cooperative" means a foreign business entity  
2 27 organized to conduct business consistent with this chapter or  
2 28 chapter 497, 498, 499, or 501.

2 29 13. "Iowa limited liability company" means a limited  
2 30 liability company governed by chapter 490A.

2 31 14. "Livestock" means the same as defined in section  
2 32 717.1.

2 33 15. "Member" means a person or entity reflected on the  
2 34 books of a cooperative as the owner of governance rights of a  
2 35 membership interest of the cooperative and includes patron and  
3 1 nonpatron members.

3 2 16. "Member control agreement" means an instrument which  
3 3 controls the investment or governance of nonpatron members,  
3 4 which may be executed by the board and one or more nonpatron  
3 5 members and which may provide for their individual or  
3 6 collective rights to elect directors or to participate in the  
3 7 distribution or allocation of profits or losses.

3 8 17. "Membership interest" means a member's interest in a  
3 9 cooperative consisting of a member's financial rights, a  
3 10 member's right to assign financial rights, a member's  
3 11 governance rights, and a member's right to assign governance  
3 12 rights. "Membership interest" includes patron membership  
3 13 interests and nonpatron membership interests.

3 14 18. "Members' meeting" means a regular or special members'  
3 15 meeting.

3 16 19. "Nonpatron member" means a member who holds a  
3 17 nonpatron membership interest.

3 18 20. "Nonpatron membership interest" means a membership  
3 19 interest that does not require the holder to conduct patronage  
3 20 for or with the cooperative to receive financial rights or  
3 21 distributions.

3 22 21. "Patron" means a person or entity who conducts  
3 23 patronage with the cooperative, regardless of whether the  
3 24 person is a member.

3 25 22. "Patronage" means business, transactions, or services  
3 26 done for or with the cooperative as defined by the  
3 27 cooperative.

3 28 23. "Patron member" means a member holding a patron  
3 29 membership interest.

3 30 24. "Patron membership interest" means the membership  
3 31 interest requiring the holder to conduct patronage for or with  
3 32 the cooperative, as specified by the cooperative to receive  
3 33 financial rights or distributions.

3 34 25. "Secretary" means the secretary of state.

3 35 26. "Traditional cooperative" means a cooperative or  
4 1 cooperative association organized under chapter 497, 498, 499,  
4 2 or 501.

4 3 Sec. 3. NEW SECTION. 501A.103 REQUIREMENTS FOR DOCUMENTS  
4 4 == FILING AND SIGNATURES.

4 5 A document is signed when a person has written on a  
4 6 document. A person authorized to do so by this chapter, the  
4 7 articles or bylaws, or by a resolution approved by the  
4 8 directors or the members must sign the document. A signature  
4 9 on a document may be a facsimile affixed, engraved, printed,  
4 10 placed, stamped with indelible ink, transmitted by facsimile  
4 11 or electronically, or in any other manner reproduced on the  
4 12 document.

#### 4 13 SUBCHAPTER 2

#### 4 14 FILING

#### 4 15 PART A

#### 4 16 GENERAL REQUIREMENTS

4 17 Sec. 4. NEW SECTION. 501A.201 GENERAL FILING  
4 18 REQUIREMENTS.

4 19 1. A document must satisfy the requirements of this  
4 20 section, and of any other section that adds to or varies these  
4 21 requirements, to be entitled to filing.

4 22 2. The document must be one that this chapter requires or  
4 23 permits to be filed with the secretary.

4 24 3. The document must contain the information required by

4 25 this chapter. The document may contain other information as  
4 26 well.

4 27 4. The document must be typewritten or printed. The  
4 28 typewritten or printed portion shall be in black ink.  
4 29 Manually signed photocopies, or other reproduced copies,  
4 30 including facsimiles and other electronically or computer=  
4 31 generated copies of typewritten or printed documents may be  
4 32 filed.

4 33 5. The document must be in the English language. A  
4 34 cooperative's name need not be in English if written in  
4 35 English letters or Arabic or Roman numerals. The articles,  
5 1 duly authenticated by the official having custody of the  
5 2 applicable records in the state or country under whose law the  
5 3 cooperative is formed, which are required of cooperatives,  
5 4 need not be in English if accompanied by a reasonably  
5 5 authenticated English translation.

5 6 6. The document must be executed by one of the following  
5 7 persons:

5 8 a. An officer of the cooperative, or if no officer has  
5 9 been selected, by any patron member of the cooperative.

5 10 b. If the cooperative has not been organized, by the  
5 11 organizers of the cooperative as provided in subchapter 5.

5 12 c. If the cooperative is in the hands of a receiver,  
5 13 trustee, or other court-appointed fiduciary, that fiduciary.

5 14 7. The person executing the document shall sign the  
5 15 document and state beneath or opposite the person's signature,  
5 16 the person's name, and the capacity in which the person signs.

5 17 8. If, pursuant to any provision of this chapter, the  
5 18 secretary has prescribed a mandatory form for the document,  
5 19 the document shall be in or on the prescribed form.

5 20 9. The document must be delivered to the secretary for  
5 21 filing and must be accompanied by the correct filing fee as  
5 22 provided in this subchapter.

5 23 Sec. 5. NEW SECTION. 501A.202 FILING DUTY OF SECRETARY  
5 24 OF STATE.

5 25 1. If a document delivered to the secretary for filing  
5 26 satisfies the requirements of section 501A.201, the secretary  
5 27 shall file it and issue any necessary certificate.

5 28 2. The secretary files a document by stamping or otherwise  
5 29 endorsing "filed", together with the secretary's name and  
5 30 official title and the date and time of receipt, on both the  
5 31 document and the receipt for the filing fee, and recording the  
5 32 document in the records of the secretary. After filing a  
5 33 document, and except as provided in section 501A.204, the  
5 34 secretary shall deliver the document, with the filing fee  
5 35 receipt, or acknowledgment of receipt if no fee is required,  
6 1 attached to the domestic cooperative or foreign cooperative or  
6 2 its representative.

6 3 3. If the secretary refuses to file a document, the  
6 4 secretary shall return it to the domestic cooperative or  
6 5 foreign cooperative or its representative within ten days  
6 6 after the document was received by the secretary, together  
6 7 with a brief, written explanation of the reason for the  
6 8 refusal.

6 9 4. The secretary's duty to file documents under this  
6 10 section is ministerial. Filing or refusing to file a document  
6 11 does not do any of the following:

6 12 a. Affect the validity or invalidity of the document in  
6 13 whole or in part.

6 14 b. Relate to the correctness or incorrectness of  
6 15 information contained in the document.

6 16 c. Create a presumption that the document is valid or  
6 17 invalid or that information contained in the document is  
6 18 correct or incorrect.

6 19 Sec. 6. NEW SECTION. 501A.203 EFFECTIVE TIME AND DATE OF  
6 20 DOCUMENTS.

6 21 1. Except as provided in subsection 2 and section  
6 22 501A.204, subsection 3, a document accepted for filing is  
6 23 effective at the later of the following times:

6 24 a. At the time of filing on the date the document is  
6 25 filed, as evidenced by the secretary's date and time  
6 26 endorsement on the original document.

6 27 b. At the time specified in the document as its effective  
6 28 time on the date the document is filed.

6 29 2. A document may specify a delayed effective time and  
6 30 date, and if the document does so, the document becomes  
6 31 effective at the time and date specified. If a delayed  
6 32 effective date but no time is specified, the document is  
6 33 effective at the close of business on that date. A delayed  
6 34 effective date for a document shall not be later than the  
6 35 ninetieth day after the date the document is filed.

7 1 Sec. 7. NEW SECTION. 501A.204 CORRECTING FILED  
7 2 DOCUMENTS.

7 3 1. A domestic cooperative or foreign cooperative may  
7 4 correct a document filed by the secretary if the document  
7 5 satisfies any of the following requirements:  
7 6 a. Contains an incorrect statement.  
7 7 b. Was defectively executed, attested, sealed, verified,  
7 8 or acknowledged.  
7 9 2. A document is corrected by complying with all of the  
7 10 following:  
7 11 a. By preparing articles of correction that satisfy all of  
7 12 the following requirements:  
7 13 (1) Describe the document, including its filing date, or  
7 14 attach a copy of the document to the articles.  
7 15 (2) Specify the incorrect statement and the reason the  
7 16 statement is incorrect or the manner in which the execution  
7 17 was defective.  
7 18 (3) Correct the incorrect statement or defective  
7 19 execution.  
7 20 b. By delivering the articles of correction to the  
7 21 secretary for filing.  
7 22 3. Articles of correction are effective on the effective  
7 23 date of the document the articles correct, except as to  
7 24 persons relying on the uncorrected document and adversely  
7 25 affected by the correction. As to those persons, articles of  
7 26 correction are effective when filed.

7 27 Sec. 8. NEW SECTION. 501A.205 FEES.

7 28 1. The secretary shall collect the following fees when  
7 29 documents described in this subsection are delivered to the  
7 30 secretary's office for filing:  
7 31 a. Articles of organization ..... \$50  
7 32 b. Application for use of indistinguishable name ..... \$10  
7 33 c. Application for reserved name ..... \$10  
7 34 d. Notice of transfer of reserved name ..... \$10  
7 35 e. Application for registered name per month  
8 1 or part thereof ..... \$ 2  
8 2 f. Application for renewal of registered name ..... \$20  
8 3 g. Statement of change of registered agent or  
8 4 registered office or both ..... No fee  
8 5 h. Agent's statement of change of registered  
8 6 office for each affected cooperative ..... No fee  
8 7 i. Agent's statement of resignation ..... No fee  
8 8 j. Amendment of articles of organization ..... \$ 50  
8 9 k. Restatement of articles of organization with  
8 10 amendment of articles ..... \$ 50  
8 11 l. Articles of merger ..... \$ 50  
8 12 m. Articles of dissolution ..... \$ 5  
8 13 n. Articles of revocation of dissolution ..... \$ 5  
8 14 o. Certificate of administrative dissolution ..... No fee  
8 15 p. Application for reinstatement following  
8 16 administrative dissolution ..... \$ 5  
8 17 q. Certificate of reinstatement ..... No fee  
8 18 r. Certificate of judicial dissolution ..... No fee  
8 19 s. Application for certificate of authority ..... \$100  
8 20 t. Application for amended certificate of authority .... \$100  
8 21 u. Application for certificate of cancellation ..... \$ 10  
8 22 v. Certificate of revocation of authority to transact  
8 23 business ..... No fee  
8 24 w. Articles of correction ..... \$ 5  
8 25 x. Application for certificate of existence or  
8 26 authorization ..... \$ 5  
8 27 y. Any other document required or permitted to  
8 28 be filed by this chapter ..... \$ 5  
8 29 2. The secretary shall collect a fee of five dollars each  
8 30 time process is served on the secretary under this chapter.  
8 31 The party to a proceeding causing service of process is  
8 32 entitled to recover this fee as costs if the party prevails in  
8 33 the proceeding.  
8 34 3. The secretary shall collect the following fees for  
8 35 copying and certifying the copy of any filed document relating  
9 1 to a domestic cooperative or foreign cooperative:  
9 2 a. One dollar a page for copying.  
9 3 b. Five dollars for the certificate.  
9 4 Sec. 9. NEW SECTION. 501A.206 FORMS.  
9 5 1. The secretary may prescribe and furnish on request  
9 6 forms, including but not limited to the following:  
9 7 a. An application for a certificate of existence.  
9 8 b. A foreign cooperative's application for a certificate  
9 9 of authority to transact business in this state.  
9 10 c. A foreign cooperative's application for a certificate  
9 11 of withdrawal.

9 12 If the secretary so requires, use of these listed forms  
9 13 prescribed by the secretary is mandatory.

9 14 2. The secretary may prescribe and furnish on request  
9 15 forms, for other documents required or permitted to be filed  
9 16 by this chapter but their use is not mandatory.

9 17 Sec. 10. NEW SECTION. 501A.207 APPEAL FROM SECRETARY OF  
9 18 STATE'S REFUSAL TO FILE DOCUMENT.

9 19 1. If the secretary refuses to file a document delivered  
9 20 to the secretary's office for filing, the domestic cooperative  
9 21 or foreign cooperative may appeal the refusal, within thirty  
9 22 days after the return of the document, to the district court  
9 23 for the county in which the cooperative's principal office or,  
9 24 if none in this state, where its registered office is or will  
9 25 be located. The appeal is commenced by petitioning the court  
9 26 to compel filing the document and by attaching to the petition  
9 27 the document and the secretary's explanation of the refusal to  
9 28 file.

9 29 2. The court may summarily order the secretary to file the  
9 30 document or take other action the court considers appropriate.

9 31 3. The court's final decision may be appealed as in other  
9 32 civil proceedings.

9 33 Sec. 11. NEW SECTION. 501A.208 EVIDENTIARY EFFECT OF  
9 34 COPY OF FILED DOCUMENT.

9 35 A certificate attached to a copy of a document filed by the  
10 1 secretary, bearing the secretary's signature, which may be in  
10 2 facsimile, and the seal of the secretary, is conclusive  
10 3 evidence that the original document is on file with the  
10 4 secretary.

10 5 Sec. 12. NEW SECTION. 501A.209 CERTIFICATE OF EXISTENCE.  
10 6 1. Anyone may apply to the secretary to furnish a  
10 7 certificate of existence for a domestic cooperative or a  
10 8 certificate of authorization for a foreign cooperative.

10 9 2. A certificate of existence or certificate of  
10 10 authorization must set forth all of the following:

10 11 a. The domestic cooperative's name or the foreign  
10 12 cooperative's name used in this state.

10 13 b. That one of the following applies:

10 14 (1) If it is a domestic cooperative, that it is duly  
10 15 organized under the law of this state, the date of its  
10 16 organization, and the period of its duration.

10 17 (2) If it is a foreign cooperative, that it is authorized  
10 18 to transact business in this state.

10 19 c. That all fees required by this subchapter have been  
10 20 paid.

10 21 d. That articles of dissolution have not been filed.

10 22 e. Other facts of record in the office of the secretary  
10 23 that may be requested by the applicant.

10 24 3. Subject to any qualification stated in the certificate,  
10 25 a certificate of existence or certificate of authorization  
10 26 issued by the secretary may be relied upon as conclusive  
10 27 evidence that the domestic cooperative or foreign cooperative  
10 28 is in existence or is authorized to transact business in this  
10 29 state.

10 30 Sec. 13. NEW SECTION. 501A.210 PENALTY FOR SIGNING FALSE  
10 31 DOCUMENT.

10 32 1. A person commits an offense if that person signs a  
10 33 document the person knows is false in any material respect  
10 34 with intent that the document be delivered to the secretary  
10 35 for filing.

11 1 2. An offense under this section is a serious misdemeanor  
11 2 punishable by a fine of not to exceed one thousand dollars.

11 3 Sec. 14. NEW SECTION. 501A.211 SECRETARY OF STATE ==  
11 4 POWERS.

11 5 The secretary has the power reasonably necessary to perform  
11 6 the duties required of the secretary by this chapter.

11 7 PART B  
11 8 FOREIGN COOPERATIVES

11 9 Sec. 15. NEW SECTION. 501A.221 CERTIFICATE OF AUTHORITY.  
11 10 A foreign cooperative may apply for a certificate of  
11 11 authority to transact business in this state by delivering an  
11 12 application to the secretary for filing. An application for  
11 13 registration as a foreign cooperative shall set forth all of  
11 14 the following:

11 15 1. The name of the foreign cooperative and, if different,  
11 16 the name under which the foreign cooperative proposes to  
11 17 register and transact business in this state.

11 18 2. The state or other jurisdiction in which the foreign  
11 19 cooperative was formed and the date of its formation.

11 20 3. The street address of the registered office of the  
11 21 foreign cooperative in this state, the name of the registered  
11 22 agent at the office, and a statement that the registered

11 23 office and registered agent comply with the requirements of  
11 24 section 501A.401.

11 25 4. The address of the office required to be maintained in  
11 26 the state or other jurisdiction of its formation by the law of  
11 27 that state or jurisdiction or, if not so required, of the  
11 28 principal office of the foreign cooperative.

11 29 5. A copy of the articles of organization filed in the  
11 30 foreign cooperative's state or other jurisdiction of formation  
11 31 authorizing the foreign cooperative to do business in that  
11 32 state or other jurisdiction, duly authenticated by the proper  
11 33 officer of the state or other jurisdiction of its formation.

11 34 Sec. 16. NEW SECTION. 501A.222 CANCELLATION OF  
11 35 CERTIFICATE OF AUTHORITY.

12 1 1. A foreign cooperative may cancel its certificate of  
12 2 authority by delivering to the secretary for filing a  
12 3 certificate of cancellation which shall set forth all of the  
12 4 following:

12 5 a. The name of the foreign cooperative and the name of the  
12 6 state or other jurisdiction under whose jurisdiction the  
12 7 foreign cooperative was formed.

12 8 b. That the foreign cooperative is not transacting  
12 9 business in this state and that the foreign cooperative  
12 10 surrenders its registration to transact business in this  
12 11 state.

12 12 c. That the foreign cooperative revokes the authority of  
12 13 its registered agent to accept service on its behalf and  
12 14 appoints the secretary as its agent for service of process in  
12 15 any proceeding based on a cause of action arising during the  
12 16 time the foreign cooperative was authorized to transact  
12 17 business in this state.

12 18 d. A mailing address to which the secretary may mail a  
12 19 copy of any process served on the secretary under paragraph  
12 20 "c".

12 21 e. A commitment to notify the secretary in the future of  
12 22 any change in the mailing address of the foreign cooperative.

12 23 2. The certificate of registration shall be canceled upon  
12 24 the filing of the certificate of cancellation by the  
12 25 secretary.

### 12 26 SUBCHAPTER 3

#### 12 27 NAMES

12 28 Sec. 17. NEW SECTION. 501A.301 NAME.

12 29 1. A cooperative name must contain the word "cooperative",  
12 30 "coop", or the abbreviation "CP".

12 31 2. Except as authorized by subsections 3 and 4, a  
12 32 cooperative name must be distinguishable upon the records of  
12 33 the secretary from all of the following:

12 34 a. The name of a domestic cooperative, limited liability  
12 35 company, limited partnership, or corporation organized under  
13 1 the laws of this state or registered as a foreign cooperative,  
13 2 foreign limited liability company, foreign limited  
13 3 partnership, or foreign corporation in this state.

13 4 b. A name reserved in the manner provided under the laws  
13 5 of this state.

13 6 c. The fictitious name adopted by a foreign cooperative,  
13 7 foreign limited liability company, foreign limited  
13 8 partnership, or foreign corporation authorized to transact  
13 9 business in this state because its real name is unavailable.

13 10 d. The corporate name of a nonprofit corporation  
13 11 incorporated or authorized to transact business in this state.

13 12 3. A cooperative may apply to the secretary for  
13 13 authorization to use a name that is not distinguishable upon  
13 14 the secretary's records from one or more of the names  
13 15 described in subsection 2. The secretary shall authorize use  
13 16 of the name applied for if one of the following conditions  
13 17 applies:

13 18 a. The other entity consents to the use in writing and  
13 19 submits an undertaking in a form satisfactory to the secretary  
13 20 to change the entity's name to a name that is distinguishable  
13 21 upon the records of the secretary from the name of the  
13 22 applying cooperative.

13 23 b. The applicant delivers to the secretary a certified  
13 24 copy of the final judgment of a court of competent  
13 25 jurisdiction establishing the applicant's right to use the  
13 26 name applied for in this state.

13 27 4. A cooperative may use the name, including the  
13 28 fictitious name, of another business entity that is used in  
13 29 this state if the other business entity is formed under the  
13 30 laws of this state or is authorized to transact business in  
13 31 this state and the proposed user cooperative meets one of the  
13 32 following conditions:

13 33 a. Has merged with the other business entity.

13 34 b. Has been formed by reorganization of the other business  
13 35 entity.

14 1 c. Has acquired all or substantially all of the assets,  
14 2 including the name, of the other business entity.

14 3 5. This chapter does not control the use of fictitious  
14 4 names; however, if a cooperative uses a fictitious name in  
14 5 this state, the cooperative shall deliver to the secretary for  
14 6 filing a certified copy of the resolution of the cooperative  
14 7 adopting the fictitious name.

14 8 Sec. 18. NEW SECTION. 501A.302 RESERVED NAME.

14 9 1. A person may reserve the exclusive use of a cooperative  
14 10 name, including a fictitious name for a foreign cooperative  
14 11 whose cooperative name is not available, by delivering an  
14 12 application to the secretary for filing. The application must  
14 13 set forth the name and address of the applicant and the name  
14 14 proposed to be reserved. If the secretary finds that the  
14 15 cooperative name applied for is available, the secretary shall  
14 16 reserve the name for the applicant's exclusive use for a  
14 17 nonrenewable one-hundred-twenty-day period.

14 18 2. The owner of a reserved cooperative name may transfer  
14 19 the reservation to another person by delivering to the  
14 20 secretary a signed notice of the transfer that states the name  
14 21 and address of the transferee.

14 22 SUBCHAPTER 4  
14 23 REGISTERED OFFICE AND AGENT

14 24 Sec. 19. NEW SECTION. 501A.401 REGISTERED OFFICE AND  
14 25 REGISTERED AGENT.

14 26 A cooperative must continuously maintain in this state each  
14 27 of the following:

14 28 1. A registered office that may be the same as any of its  
14 29 places of business.

14 30 2. A registered agent who may be any of the following:

14 31 a. An individual who is a resident of this state and whose  
14 32 business office is identical with the registered office.

14 33 b. A cooperative, domestic corporation, domestic limited  
14 34 liability company, or not-for-profit domestic corporation  
14 35 whose business office is identical with the registered office.

15 1 c. A foreign cooperative, foreign corporation, foreign  
15 2 limited liability company, or not-for-profit foreign  
15 3 corporation authorized to transact business in this state  
15 4 whose business office is identical with the registered office.

15 5 Sec. 20. NEW SECTION. 501A.402 CHANGE OF REGISTERED  
15 6 OFFICE OR REGISTERED AGENT.

15 7 1. A cooperative may change its registered office or  
15 8 registered agent by delivering to the secretary for filing a  
15 9 statement of change that sets forth the following:

15 10 a. The name of the domestic cooperative or foreign  
15 11 cooperative.

15 12 b. If the current registered office is to be changed, the  
15 13 street address of the new registered office.

15 14 c. If the current registered agent is to be changed, the  
15 15 name of the new registered agent and the new agent's written  
15 16 consent either on the statement or attached to the statement,  
15 17 to the appointment.

15 18 d. That after the change or changes are made, the street  
15 19 address of its registered office and the business office of  
15 20 its registered agent will be identical.

15 21 2. A statement of change shall forthwith be filed in the  
15 22 office of the secretary by a cooperative whenever its  
15 23 registered agent dies, resigns, or ceases to satisfy the  
15 24 requirements of section 501A.401.

15 25 3. If a registered agent changes the registered agent's  
15 26 business address to another place, the registered agent may  
15 27 change the business address and the address of the registered  
15 28 agent by filing a statement as required in subsection 1 for  
15 29 each cooperative, or a single statement for all cooperatives  
15 30 named in the notice, except that the statement need be signed  
15 31 only by the registered agent or agents and need not be  
15 32 responsive to subsection 1, paragraph "c", and must recite  
15 33 that a copy of the statement has been mailed to each  
15 34 cooperative named in the notice.

15 35 4. The change of address of a registered office or the  
16 1 change of registered agent becomes effective upon the filing  
16 2 of such statement by the secretary.

16 3 Sec. 21. NEW SECTION. 501A.403 RESIGNATION OF REGISTERED  
16 4 AGENT == DISCONTINUANCE OF REGISTERED OFFICE == STATEMENT.

16 5 1. A registered agent may resign the agent's agency  
16 6 appointment by signing and delivering to the secretary for  
16 7 filing an original statement of resignation. The statement  
16 8 may include a statement that the registered office is also  
16 9 discontinued. The registered agent shall send a copy of the

16 10 statement of resignation to the registered office, if not  
16 11 discontinued, and to the cooperative at its principal office.  
16 12 The agent shall certify to the secretary that the copy has  
16 13 been sent to the cooperative, including the date the copy was  
16 14 sent.

16 15 2. The agency appointment is terminated, and the  
16 16 registered office discontinued if so provided, on the date on  
16 17 which the statement is filed by the secretary.

16 18 Sec. 22. NEW SECTION. 501A.404 SERVICE ON DOMESTIC  
16 19 COOPERATIVES.

16 20 1. A domestic cooperative's registered agent is the  
16 21 cooperative's agent for service of process, notice, or demand  
16 22 required or permitted by law to be served on the cooperative.

16 23 2. If a cooperative has no registered agent, or the agent  
16 24 cannot with reasonable diligence be served, the cooperative  
16 25 may be served by certified or restricted certified mail  
16 26 addressed to the cooperative at its principal office. Service  
16 27 is perfected under this subsection at the earliest of any of  
16 28 the following:

16 29 a. The date the cooperative receives the mail.

16 30 b. The date shown on the return receipt for the restricted  
16 31 certified mail, if signed on behalf of the cooperative.

16 32 c. Five days after its deposit in the United States mail,  
16 33 as evidenced by the postmark, if mailed postpaid and correctly  
16 34 addressed.

16 35 3. This section does not prescribe the only means, or  
17 1 necessarily the required means, of serving a domestic  
17 2 cooperative or foreign cooperative.

17 3 Sec. 23. NEW SECTION. 501A.405 SERVICE ON FOREIGN  
17 4 COOPERATIVE.

17 5 1. The registered agent of a foreign cooperative  
17 6 authorized to transact business in this state is the foreign  
17 7 cooperative's agent for service of process, notice, or demand  
17 8 required or permitted by law to be served on the foreign  
17 9 cooperative.

17 10 2. A foreign cooperative may be served by certified mail  
17 11 or restricted certified mail addressed to the foreign  
17 12 cooperative at its principal office shown in its application  
17 13 for a certificate of authority if the foreign cooperative  
17 14 meets any of the following conditions:

17 15 a. Has no registered agent or its registered agent cannot  
17 16 with reasonable diligence be served.

17 17 b. Has withdrawn from transacting business in this state.

17 18 c. Has had its certificate of authority revoked.

17 19 3. Service is perfected under subsection 2 at the earliest  
17 20 of any of the following:

17 21 a. The date the foreign cooperative receives the mail.

17 22 b. The date shown on the return receipt for the restricted  
17 23 certified mail, if signed on behalf of the foreign  
17 24 cooperative.

17 25 c. Five days after its deposit in the United States mail,  
17 26 as evidenced by the postmark, if mailed postpaid and correctly  
17 27 addressed.

17 28 4. A foreign cooperative may also be served in any other  
17 29 manner permitted by law.

17 30 SUBCHAPTER 5  
17 31 ORGANIZATION

17 32 Sec. 24. NEW SECTION. 501A.501 ORGANIZATIONAL PURPOSE.

17 33 A cooperative may be formed and organized for any lawful  
17 34 purpose for the benefit of its members, including but not  
17 35 limited to any of the following purposes:

18 1 1. To store or market agricultural commodities, including  
18 2 crops and livestock.

18 3 2. To market, process, or otherwise change the form or  
18 4 marketability of agricultural commodities. The cooperative  
18 5 may provide for the manufacturing or processing of those  
18 6 commodities into products.

18 7 3. To accomplish other purposes that are necessary or  
18 8 convenient to facilitate the production or marketing of  
18 9 agricultural commodities or agricultural products by patron  
18 10 members, other patrons, and other persons, and for other  
18 11 purposes that are related to the business of the cooperative.

18 12 4. To provide products, supplies, and services to its  
18 13 patron members, other patrons, and others.

18 14 5. For any other purpose that a cooperative is authorized  
18 15 by law under chapter 499 or 501.

18 16 Sec. 25. NEW SECTION. 501A.502 ORGANIZERS.

18 17 1. QUALIFICATION. A cooperative may be organized by one  
18 18 or more organizers who shall be adult natural persons, and who  
18 19 may act for themselves as individuals or as the agents of  
18 20 other entities. The organizers forming the cooperative need



18 21 not be members of the cooperative.

18 22 2. ROLE OF ORGANIZERS. If the first board of directors is  
18 23 not named in the articles of organization, the organizers may  
18 24 elect the first board or may act as directors with all of the  
18 25 powers, rights, duties, and liabilities of directors, until  
18 26 directors are elected or until a contribution is accepted,  
18 27 whichever occurs first.

18 28 3. MEETING. After the filing of articles of organization,  
18 29 the organizers or the directors named in the articles of  
18 30 organization shall either hold an organizational meeting at  
18 31 the call of a majority of the organizers or of the directors  
18 32 named in the articles, or take written action for the purposes  
18 33 of transacting business and taking actions necessary or  
18 34 appropriate to complete the organization of the cooperative,  
18 35 including but not limited to all of the following:

- 19 1 a. Amending the articles.
- 19 2 b. Electing directors.
- 19 3 c. Adopting bylaws.
- 19 4 d. Authorizing or ratifying the purchase, lease, or other  
19 5 acquisition of suitable space, furniture, furnishings,  
19 6 supplies, or materials.
- 19 7 e. Adopting a fiscal year.
- 19 8 f. Contracting to receive and accept contributions.
- 19 9 g. Making appropriate tax elections.

19 10 If a meeting is held, the person or persons calling the  
19 11 meeting shall give at least three days' notice of the meeting  
19 12 to each organizer or director named, stating the date, time,  
19 13 and place of the meeting. Organizers and directors may waive  
19 14 notice of an organizational meeting in the same manner that a  
19 15 director may waive notice of meetings of the board.

19 16 Sec. 26. NEW SECTION. 501A.503 ARTICLES OF ORGANIZATION.

19 17 1. a. The articles of organization for the cooperative  
19 18 shall include all of the following:

- 19 19 (1) The name of the cooperative.
- 19 20 (2) The purpose of the cooperative.
- 19 21 (3) The name and address of each organizer.
- 19 22 (4) The period of duration for the cooperative, if the  
19 23 duration is not to be perpetual.

19 24 b. The articles may contain any other lawful provision.

19 25 2. EFFECT OF FILING. When the articles of organization or  
19 26 an application for a certificate of authority has been filed  
19 27 pursuant to subchapter 2, the designation of the cooperative's  
19 28 registered office and agent under subchapter 4 has been filed  
19 29 with the secretary and the required fee has been paid to the  
19 30 secretary under section 501A.205, all of the following shall  
19 31 be presumed:

- 19 32 a. All conditions precedent that are required to be  
19 33 performed by the organizers have been complied with.
- 19 34 b. The organization of the cooperative has been organized  
19 35 under the laws of this state as a separate legal entity.
- 20 1 c. The secretary shall issue a certificate of organization  
20 2 to the cooperative.

20 3 Sec. 27. NEW SECTION. 501A.504 AMENDMENT OF ARTICLES.

20 4 1. a. The articles of organization of a cooperative shall  
20 5 be amended only as follows:

- 20 6 (1) The board, by majority vote, must pass a resolution  
20 7 stating the text of the proposed amendment. The text of the  
20 8 proposed amendment and an attached mail or alternative ballot,  
20 9 if the board has provided for a mail or alternative ballot in  
20 10 the resolution or alternative method approved by the board and  
20 11 stated in the resolution, shall be mailed or otherwise  
20 12 distributed with a regular or special meeting notice to each  
20 13 member. The notice shall designate the time and place of the  
20 14 meeting for the proposed amendment to be considered and voted  
20 15 on.

20 16 (2) If a quorum of the members is registered as being  
20 17 present or represented by alternative vote at the meeting, the  
20 18 proposed amendment is adopted if any of the following occurs:

- 20 19 (a) If approved by a majority of the votes cast.
- 20 20 (b) For a cooperative with articles or bylaws requiring  
20 21 more than majority approval or other conditions for approval,  
20 22 the amendment is approved by a proportion of the votes cast or  
20 23 a number of total members as required by the articles or  
20 24 bylaws and the conditions for approval in the articles or  
20 25 bylaws have been satisfied.

20 26 b. After an amendment has been adopted by the members, the  
20 27 amendment must be signed by the chairperson, vice chairperson,  
20 28 records officer, or assistant records officer and a copy of  
20 29 the amendment filed in the office of the secretary.

20 30 2. CERTIFIED STATEMENT.

20 31 a. The board shall prepare a certified statement affirming

20 32 that all of the following are true:  
20 33 (1) The vote and meeting of the board adopting a  
20 34 resolution of the proposed amendment.  
20 35 (2) The notice given to members of the meeting at which  
21 1 the amendment was adopted.  
21 2 (3) The quorum registered at the meeting.  
21 3 (4) The vote cast adopting the amendment.  
21 4 b. The certified statement shall be signed by the  
21 5 chairperson, vice chairperson, records officer, or financial  
21 6 officer and filed with the records of the cooperative.  
21 7 3. AMENDMENT BY DIRECTORS. A majority of directors may  
21 8 amend the articles if the cooperative does not have any  
21 9 members with voting rights.  
21 10 4. FILING. An amendment of the articles shall be filed  
21 11 with the secretary as required in section 501A.503. The  
21 12 amendment is effective as provided in subchapter 2.  
21 13 Sec. 28. NEW SECTION. 501A.505 EXISTENCE.  
21 14 1. COMMENCEMENT. The existence of a cooperative shall  
21 15 commence on or after the filing of articles of organization as  
21 16 provided in section 501A.503.  
21 17 2. DURATION. A cooperative shall have a perpetual  
21 18 duration unless the cooperative provides for a limited period  
21 19 of duration in the articles or the cooperative is dissolved as  
21 20 provided in subchapter 12.  
21 21 Sec. 29. NEW SECTION. 501A.506 BYLAWS.  
21 22 1. REQUIRED. A cooperative shall have bylaws governing  
21 23 the cooperative's business affairs, structure, the  
21 24 qualifications, classification, rights and obligations of  
21 25 members, and the classifications, allocations, and  
21 26 distributions of membership interests, which are not otherwise  
21 27 provided in the articles or by this chapter.  
21 28 2. CONTENTS.  
21 29 a. If not stated in the articles, a cooperative's bylaws  
21 30 must state all of the following:  
21 31 (1) The purpose of the cooperative.  
21 32 (2) The capital structure of the cooperative to the extent  
21 33 not stated in the articles, including a statement of the  
21 34 classes and relative rights, preferences, and restrictions  
21 35 granted to or imposed upon each class of member interests, the  
22 1 rights to share in profits or distributions of the  
22 2 cooperative, and the authority to issue membership interests,  
22 3 which may be designated to be determined by the board.  
22 4 (3) A provision designating the voting and governance  
22 5 rights, to the extent not stated in the articles, including  
22 6 which membership interests have voting power and any  
22 7 limitations or restrictions on the voting power, which shall  
22 8 be in accordance with the provisions of this chapter.  
22 9 (4) A statement that patron membership interests with  
22 10 voting power shall be restricted to one vote for each member  
22 11 regardless of the amount of patron membership interests held  
22 12 in the affairs of the cooperative or a statement describing  
22 13 the allocation of voting power allocated as prescribed in this  
22 14 chapter.  
22 15 (5) A statement that membership interests held by a member  
22 16 are transferable only with the approval of the board or as  
22 17 provided in the bylaws.  
22 18 (6) If nonpatron membership interests are authorized, all  
22 19 of the following:  
22 20 (a) A statement as to how profits and losses will be  
22 21 allocated and cash will be distributed between patron  
22 22 membership interests collectively and nonpatron membership  
22 23 interests collectively to the extent not stated in the  
22 24 articles.  
22 25 (b) A statement that net income allocated to a patron  
22 26 membership interest as determined by the board in excess of  
22 27 dividends and additions to reserves shall be distributed on  
22 28 the basis of patronage.  
22 29 (c) A statement that the records of the cooperative shall  
22 30 include patron membership interests and, if authorized,  
22 31 nonpatron membership interests, which may be further described  
22 32 in the bylaws of any classes and in the reserves.  
22 33 b. The bylaws may contain any provision relating to the  
22 34 management or regulation of the affairs of the cooperative  
22 35 that are not inconsistent with law or the articles, and shall  
23 1 include all of the following:  
23 2 (1) The number of directors and the qualifications, manner  
23 3 of election, powers, duties, and compensation, if any, of  
23 4 directors.  
23 5 (2) The qualifications of members and any limitations on  
23 6 their number.  
23 7 (3) The manner of admission, withdrawal, suspension, and

23 8 expulsion of members.  
23 9 (4) Generally, the governance rights, financial rights,  
23 10 assignability of governance and financial rights, and other  
23 11 rights, privileges, and obligations of members and their  
23 12 membership interests, which may be further described in member  
23 13 control agreements.

23 14 (5) Any provisions required by the articles to be in the  
23 15 bylaws.

23 16 3. ADOPTION.

23 17 a. Bylaws shall be adopted before any distributions to  
23 18 members, but if the articles or bylaws provide that rights of  
23 19 contributors to a class of membership interest will be  
23 20 determined in the bylaws, the bylaws must be adopted before  
23 21 the acceptance of any contributions to that class.

23 22 b. Subject to subsections 4, 5, and 6, the bylaws of a  
23 23 cooperative may be adopted or amended by the directors, or the  
23 24 members may adopt or amend bylaws at a regular or special  
23 25 members' meeting if all of the following apply:

23 26 (1) The notice of the regular or special meeting contains  
23 27 a statement that the bylaws or restated bylaws will be voted  
23 28 upon and copies are included with the notice, or copies are  
23 29 available upon request from the cooperative and a summary  
23 30 statement of the proposed bylaws or amendment is included with  
23 31 the notice.

23 32 (2) A quorum is registered as being present or represented  
23 33 by mail or alternative voting method if the mail or  
23 34 alternative voting method is authorized by the board.

23 35 (3) The bylaws or amendment is approved by a majority vote  
24 1 cast, or for a cooperative with articles or bylaws requiring  
24 2 more than majority approval or other conditions for approval,  
24 3 the bylaws or amendment is approved by a proportion of the  
24 4 vote cast or a number of the total members as required by the  
24 5 articles or bylaws and the conditions for approval in the  
24 6 articles or bylaws have been satisfied.

24 7 c. Until the next annual or special members' meeting, the  
24 8 majority of directors may adopt and amend bylaws for the  
24 9 cooperative that are consistent with subsections 4, 5, and 6,  
24 10 which may be further amended or repealed by the members at an  
24 11 annual or special members' meeting.

24 12 4. AMENDMENT OF BYLAWS BY BOARD OR MEMBERS.

24 13 a. The board may amend the bylaws at any time to add,  
24 14 change, or delete a provision, unless any of the following  
24 15 applies:

24 16 (1) This chapter, the articles, or the bylaws reserve the  
24 17 power exclusively to the members in whole or in part.

24 18 (2) A particular bylaw expressly prohibits the board from  
24 19 doing so.

24 20 b. Any amendment of the bylaws adopted by the board must  
24 21 be distributed to the members no later than ten days after  
24 22 adoption and the notice of the annual meeting of the members  
24 23 must contain a notice and summary or the actual amendments to  
24 24 the bylaws adopted by the board.

24 25 c. The members may amend the bylaws even though the bylaws  
24 26 may also be amended by the board.

24 27 5. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR  
24 28 MEMBERS.

24 29 a. (1) The members may amend the bylaws to fix a greater  
24 30 quorum or voting requirement for members, or voting groups of  
24 31 members, than is required under this chapter.

24 32 (2) An amendment to the bylaws to add, change, or delete a  
24 33 greater quorum or voting requirement for members shall meet  
24 34 the same quorum requirement and be adopted by the same vote  
24 35 and voting groups required to take action under the quorum and  
25 1 voting requirements then in effect or proposed to be adopted,  
25 2 whichever is greater.

25 3 b. A bylaw that fixes a greater quorum or voting  
25 4 requirement for members under paragraph "a" shall not be  
25 5 adopted and shall not be amended by the board.

25 6 6. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR  
25 7 DIRECTORS.

25 8 a. A bylaw that fixes a greater quorum or voting  
25 9 requirement for the board may be amended by any of the  
25 10 following methods:

25 11 (1) If adopted by the members, only by the members.

25 12 (2) If adopted by the board, either by the members or by  
25 13 the board.

25 14 b. A bylaw adopted or amended by the members that fixes a  
25 15 greater quorum or voting requirement for the board may provide  
25 16 that the bylaw may be amended only by a specified vote of  
25 17 either the members or the board, but if the bylaw is to be  
25 18 amended by a specified vote of the members, the bylaw must be

25 19 adopted by the same specified vote of the members.  
25 20 c. Action by the board under paragraph "a", subparagraph  
25 21 (2), to adopt or amend a bylaw that changes the quorum or  
25 22 voting requirement for the board shall meet the same quorum  
25 23 requirement and be adopted by the same vote required to take  
25 24 action under the quorum and voting requirement then in effect  
25 25 or proposed to be adopted, whichever is greater.

25 26 7. EMERGENCY BYLAWS.

25 27 a. Unless otherwise provided in the articles or bylaws,  
25 28 the board may adopt bylaws to be effective only in an  
25 29 emergency as defined in paragraph "d". The emergency bylaws,  
25 30 which are subject to amendment or repeal by the members, may  
25 31 include all provisions necessary for managing the cooperative  
25 32 during the emergency, including any of the following:

- 25 33 (1) Procedures for calling a meeting of the board.
- 25 34 (2) Quorum requirements for the meeting.
- 25 35 (3) Designation of additional or substitute directors.

26 1 b. All provisions of the regular bylaws consistent with  
26 2 the emergency bylaws shall remain in effect during the  
26 3 emergency. The emergency bylaws shall not be effective after  
26 4 the emergency ends.

26 5 c. All of the following shall apply to action taken in  
26 6 good faith in accordance with the emergency bylaws:

- 26 7 (1) The action binds the cooperative.
- 26 8 (2) The action shall not be the basis for imposition of  
26 9 liability on any director, officer, employee, or agent of the  
26 10 cooperative on the grounds that the action was not authorized  
26 11 cooperative action.

26 12 d. An emergency exists for the purposes of this section,  
26 13 if a quorum of the directors cannot readily be obtained  
26 14 because of some catastrophic event.

26 15 Sec. 30. NEW SECTION. 501A.507 COOPERATIVE RECORDS.

26 16 1. PERMANENT RECORDS REQUIRED TO BE KEPT. A cooperative  
26 17 shall keep as permanent records minutes of all meetings of its  
26 18 members and of the board, a record of all actions taken by the  
26 19 members or the board without a meeting by a written unanimous  
26 20 consent in lieu of a meeting, and a record of all waivers of  
26 21 notices of meetings of the members and of the board.

26 22 2. ACCOUNTING RECORDS. A cooperative shall maintain  
26 23 appropriate accounting records.

26 24 3. FORMAT. A cooperative shall maintain its records in  
26 25 written form or in another form capable of conversion into  
26 26 written form within a reasonable time.

26 27 4. COPIES. A cooperative shall keep a copy of each of the  
26 28 following records at its principal office:

- 26 29 a. Its articles and other governing instruments.
- 26 30 b. Its bylaws or other similar instruments.
- 26 31 c. A record of the names and addresses of its members, in  
26 32 a form that allows preparation of an alphabetical list of  
26 33 members with each member's address.
- 26 34 d. The minutes of members' meetings, and records of all  
26 35 actions taken by members without a meeting by unanimous  
27 1 written consent in lieu of a meeting, for the past three  
27 2 years.

27 3 e. All written communications within the past three years  
27 4 to members as a group or to any class of members as a group.

27 5 f. A list of the names and business addresses of its  
27 6 current board members and officers.

27 7 g. All financial statements prepared for periods ending  
27 8 during the last fiscal year.

27 9 5. Except as otherwise limited by this chapter, the board  
27 10 of a cooperative shall have discretion to determine what  
27 11 records are appropriate for the purposes of the cooperative,  
27 12 the length of time records are to be retained, and policies  
27 13 relating to the confidentiality, disclosure, inspection, and  
27 14 copying of the records of the cooperative.

27 15 SUBCHAPTER 6

27 16 POWERS AND AUTHORITIES

27 17 Sec. 31. NEW SECTION. 501A.601 POWERS.

27 18 1. GENERALLY.

27 19 a. In addition to other powers, a cooperative as an agent  
27 20 or otherwise may do any of the following:

27 21 (1) Perform every act necessary or proper to the conduct  
27 22 of the cooperative's business or the accomplishment of the  
27 23 purposes of the cooperative.

27 24 (2) Enjoy other rights, powers, or privileges granted by  
27 25 the laws of this state to other cooperatives, except those  
27 26 that are inconsistent with the express provisions of this  
27 27 chapter.

27 28 (3) Have the powers provided in section 501A.501 and in  
27 29 this section.

27 30 b. This section does not give a cooperative the power or  
27 31 authority to exercise the powers of a credit union under  
27 32 chapter 533, a bank under chapter 524, or a savings and loan  
27 33 association under chapter 534.

27 34 2. DEALING IN PRODUCTS. A cooperative may buy, sell, or  
27 35 deal in its own commodities or products or those of another  
28 1 person, including but not limited to those of its members,  
28 2 patrons, or nonmembers; another cooperative organized under  
28 3 this chapter or another cooperative association organized  
28 4 under other law including a traditional cooperative, or  
28 5 members or patrons of such cooperatives or cooperative  
28 6 associations. A cooperative may negotiate the price at which  
28 7 its commodities products may be sold.

28 8 3. CONTRACTS WITH MEMBERS. A cooperative may enter into  
28 9 or become a party to a contract or agreement for the  
28 10 cooperative or for the cooperative's members or patrons or  
28 11 between the cooperative and its members or patrons.

28 12 4. HOLDING AND TRANSACTIONS OF REAL AND PERSONAL PROPERTY.

28 13 a. A cooperative may purchase and hold, lease, mortgage,  
28 14 encumber, sell, exchange, and convey as a legal entity real,  
28 15 personal, and intellectual property, including real estate,  
28 16 buildings, personal property, patents, and copyrights as the  
28 17 business of the cooperative may require, including but not  
28 18 limited to the sale or other disposition of assets required by  
28 19 the business of the cooperative as determined by the board.

28 20 b. A cooperative may take, receive, and hold real or  
28 21 personal property, including the principal and interest of  
28 22 money or other negotiable instruments and rights in a  
28 23 contract, in trust for any purpose not inconsistent with the  
28 24 purposes of the cooperative in its articles or bylaws. The  
28 25 cooperative may exercise fiduciary powers in relation to  
28 26 taking, receiving, and holding the real or personal property.  
28 27 However, a cooperative's fiduciary powers do not include trust  
28 28 powers or trust services exercised for its members as provided  
28 29 in section 633.63 or chapter 524.

28 30 5. BUILDINGS. A cooperative may erect buildings or other  
28 31 structures or facilities on the cooperative's owned or leased  
28 32 property or on a right-of-way legally acquired by the  
28 33 cooperative.

28 34 6. DEBT INSTRUMENTS.

28 35 a. A cooperative may issue bonds, debentures, or other  
29 1 evidence of indebtedness, except as provided in subsection 1,  
29 2 paragraph "b". The cooperative shall not issue bonds,  
29 3 debentures, or other evidence of indebtedness to a  
29 4 nonaccredited member, unless prior to issuance the cooperative  
29 5 provides the member with a written disclosure statement which  
29 6 includes a conspicuous notice that moneys are not insured or  
29 7 guaranteed by an agency or instrumentality of the United  
29 8 States government, and that the investment may lose value.

29 9 b. A cooperative may borrow money, may secure any of its  
29 10 obligations by mortgage of or creation of a security interest  
29 11 in or other encumbrances or assignment of all or any of its  
29 12 property, franchises, or income, and may issue guarantees for  
29 13 any legal purpose.

29 14 c. A cooperative may form special purpose business  
29 15 entities to secure assets of the cooperative.

29 16 7. ADVANCES TO PATRONS. A cooperative may make advances  
29 17 to its members or patrons on products delivered by the members  
29 18 or patrons to the cooperative.

29 19 8. DEPOSITS. A cooperative may accept donations or  
29 20 deposits of money or real or personal property from other  
29 21 cooperatives or associations from which the cooperative is  
29 22 constituted.

29 23 9. BORROWING, INVESTMENT, AND PAYMENT TERMS. A  
29 24 cooperative may borrow money from its members, or cooperatives  
29 25 or associations from which the cooperative is constituted,  
29 26 with security that the cooperative considers sufficient. A  
29 27 cooperative may invest or reinvest its moneys. A cooperative  
29 28 may extend payment terms to its customers on the sale of the  
29 29 cooperative's goods or services. An extension of payment  
29 30 terms by the cooperative shall not be secured by real  
29 31 property.

29 32 10. PENSIONS AND BENEFITS. A cooperative may pay  
29 33 pensions, retirement allowances, and compensation for past  
29 34 services to and for the benefit of, and establish, maintain,  
29 35 continue, and carry out, wholly or partially at the expense of  
30 1 the cooperative, employee, or incentive benefit plans, trusts,  
30 2 and provisions to or for the benefit of any or all of its and  
30 3 its related organizations' officers, managers, directors,  
30 4 governors, employees, and agents; and in the case of a related  
30 5 organization that is a cooperative, members who provide

30 6 services to the cooperative, and any of their families,  
30 7 dependents, and beneficiaries. A cooperative may indemnify  
30 8 and purchase and maintain insurance for and on behalf of a  
30 9 fiduciary of any of these employee benefit and incentive  
30 10 plans, trusts, and provisions.

30 11 11. INSURANCE. A cooperative may purchase and maintain  
30 12 insurance on behalf of a person who is or was a director,  
30 13 officer, employee, or agent of the cooperative and in which  
30 14 the cooperative has an insurable interest. The cooperative  
30 15 may also purchase and maintain insurance on the life of a  
30 16 member for the purpose of acquiring at the death of the member  
30 17 any or all membership interests in the cooperative owned by  
30 18 the member.

30 19 12. OWNERSHIP INTERESTS IN OTHER ENTITIES.

30 20 a. A cooperative may purchase, acquire, hold, or dispose  
30 21 of the ownership interests of another business entity or  
30 22 organize business entities whether organized under the laws of  
30 23 this state or another state or the United States and assume  
30 24 all rights, interests, privileges, responsibilities, and  
30 25 obligations arising out of the ownership interests, including  
30 26 a business entity organized as any of the following:

30 27 (1) As a federation of associations.

30 28 (2) For the purpose of forming a district, state, or  
30 29 national marketing sales or service agency.

30 30 (3) For the purpose of acquiring marketing facilities at  
30 31 terminal or other markets in this state or other states.

30 32 b. A cooperative may purchase, own, and hold ownership  
30 33 interests, including stock and other equity interests,  
30 34 memberships, interests in nonstock capital, and evidences of  
30 35 indebtedness of any domestic business entity or foreign  
31 1 business entity.

31 2 13. FIDUCIARY POWERS. A cooperative may exercise any and  
31 3 all fiduciary powers in relations with members, cooperatives,  
31 4 or business entities from which the cooperative is  
31 5 constituted. However, these fiduciary powers do not include  
31 6 trust powers or trust services for its members as provided in  
31 7 section 633.63 or chapter 524.

31 8 Sec. 32. NEW SECTION. 501A.602 EMERGENCY POWERS.

31 9 1. In anticipation of or during an emergency as defined in  
31 10 this section, the board may do any of the following:

31 11 a. Modify lines of succession to accommodate the  
31 12 incapacity of any director, officer, employee, or agent.

31 13 b. Relocate the principal office, designate alternative  
31 14 principal offices or regional offices, or authorize the  
31 15 officers to do so.

31 16 2. During an emergency, unless emergency bylaws provide  
31 17 otherwise, all of the following apply:

31 18 a. A notice of a meeting of the board need be given only  
31 19 to those directors to whom it is practicable to reach and may  
31 20 be given in any practicable manner, including by publication  
31 21 or radio.

31 22 b. One or more officers of the cooperative present at a  
31 23 meeting of the board may be deemed to be directors for the  
31 24 meeting, in order of rank and within the same rank in order of  
31 25 seniority, as necessary to achieve a quorum.

31 26 3. All of the following apply to cooperative action taken  
31 27 in good faith during an emergency under this section to  
31 28 further the ordinary business affairs of the cooperative:

31 29 a. The action binds the cooperative.

31 30 b. The action shall not be the basis for the imposition of  
31 31 liability on any director, officer, employee, or agent of the  
31 32 cooperative on the grounds that the action was not an  
31 33 authorized cooperative action.

31 34 4. An emergency exists for purposes of this section if a  
31 35 quorum of the directors cannot readily be obtained because of  
32 1 a catastrophic event.

32 2 Sec. 33. NEW SECTION. 501A.603 AGRICULTURAL COMMODITIES  
32 3 AND PRODUCTS == MARKETING CONTRACTS.

32 4 1. AUTHORITY. A cooperative and its patron member or  
32 5 patron may make and execute a marketing contract, requiring  
32 6 the patron member or patron to sell a specified portion of the  
32 7 patron member's or patron's agricultural commodity or product  
32 8 or specified commodity or product produced from a certain area  
32 9 exclusively to or through the cooperative or facility  
32 10 established by the cooperative.

32 11 2. TITLE TO COMMODITIES OR PRODUCTS. If a sale is  
32 12 contracted to the cooperative, the sale shall transfer title  
32 13 to the commodity or product absolutely, except for a recorded  
32 14 lien or security interest against the agricultural commodity  
32 15 or product of the patron member or patron as provided in  
32 16 article 9 of chapter 554, and provisions in Title XIV,

32 17 subtitle 3, governing agricultural liens, and liens granted  
32 18 against farm products under federal law, to the cooperative on  
32 19 delivery of the commodity or product or at another specified  
32 20 time if expressly provided in the contract. The contract may  
32 21 allow the cooperative to sell or resell the commodity or  
32 22 product of its patron member or patron with or without taking  
32 23 title to the commodity or product, and pay the resale price to  
32 24 the patron member or patron, after deducting all necessary  
32 25 selling, overhead, and other costs and expenses, including  
32 26 other proper reserves and interest.

32 27 3. TERM OF CONTRACT. A single term of a marketing  
32 28 contract shall not exceed ten years, but a marketing contract  
32 29 may be made self-renewing for periods not exceeding five years  
32 30 each, subject to the right of either party to terminate by  
32 31 giving written notice of the termination during a period of  
32 32 the current term as specified in the contract.

32 33 4. DAMAGES FOR BREACH OF CONTRACT. The cooperative's  
32 34 bylaws or marketing contract in which the cooperative is a  
32 35 party may set a specific sum as liquidated damages to be paid  
33 1 by the patron member or patron to the cooperative for breach  
33 2 of any provision of the marketing contract regarding the sale  
33 3 or delivery or withholding of a commodity or product and may  
33 4 provide that the patron member or patron shall pay the costs,  
33 5 premiums for bonds, expenses, and fees if an action is brought  
33 6 on the contract by the cooperative. The remedies for breach  
33 7 of contract are valid and enforceable in the courts of this  
33 8 state. The provisions shall be enforced as liquidated damages  
33 9 and are not considered a penalty.

33 10 5. INJUNCTION AGAINST BREACH OF CONTRACT. If there is a  
33 11 breach or threatened breach of a marketing contract by a  
33 12 patron member or patron, the cooperative is entitled to an  
33 13 injunction to prevent the further breach of the contract and  
33 14 to a decree of specific performance of the contract. Pending  
33 15 the adjudication of the action after filing a complaint  
33 16 showing the breach or threatened breach and filing a  
33 17 sufficient bond, the cooperative is entitled to a temporary  
33 18 restraining order and preliminary injunction against the  
33 19 patron member or patron.

33 20 6. PENALTIES FOR CONTRACT INTERFERENCE AND FALSE REPORTS.  
33 21 A person who knowingly induces or attempts to induce any  
33 22 member or patron of a cooperative organized under this chapter  
33 23 to breach a marketing contract with the cooperative, or who  
33 24 maliciously and knowingly spreads false reports about the  
33 25 cooperative's finances or management, is guilty of a simple  
33 26 misdemeanor.

33 27 7. CIVIL DAMAGES FOR CONTRACT INTERFERENCE AND FALSE  
33 28 REPORTS. In addition to the penalty provided in subsection 6,  
33 29 the person may be liable to the cooperative for civil damages  
33 30 for any violation of that subsection. Each violation shall  
33 31 constitute a separate offense.

#### 33 32 SUBCHAPTER 7 33 33 DIRECTORS AND OFFICERS

33 34 Sec. 34. NEW SECTION. 501A.701 BOARD GOVERNS  
33 35 COOPERATIVE.

34 1 A cooperative shall be governed by its board of directors,  
34 2 which shall take all action for and on behalf of the  
34 3 cooperative, except those actions reserved or granted to  
34 4 members. Board action shall be by the affirmative vote of a  
34 5 majority of the directors voting at a duly called meeting  
34 6 unless a greater majority is required by the articles or  
34 7 bylaws. A director individually or collectively with other  
34 8 directors does not have authority to act for or on behalf of  
34 9 the cooperative unless authorized by the board. A director  
34 10 may advocate interests of members or member groups to the  
34 11 board, but the fiduciary duty of each director is to represent  
34 12 the best interests of the cooperative and all members  
34 13 collectively.

34 14 Sec. 35. NEW SECTION. 501A.702 NUMBER OF DIRECTORS.

34 15 The board shall not have less than five directors, except  
34 16 that a cooperative with fifty or fewer members may have three  
34 17 or more directors as prescribed in the cooperative's articles  
34 18 or bylaws.

34 19 Sec. 36. NEW SECTION. 501A.703 ELECTION OF DIRECTORS.

34 20 1. FIRST BOARD. The organizers shall elect and obtain the  
34 21 acknowledgment of the first board to serve until directors are  
34 22 elected by members. Until election by members, the first  
34 23 board shall appoint directors to fill any vacancies.

34 24 2. GENERALLY.

34 25 a. Directors shall be elected for the term, at the time,  
34 26 and in the manner provided in this section and the bylaws.

34 27 b. A majority of the directors shall be members and a

34 28 majority of the directors shall be elected exclusively by the  
34 29 members holding patron membership interests unless otherwise  
34 30 provided in the articles or bylaws.

34 31 c. The voting authority of the directors may be allocated  
34 32 according to equity classifications or allocation units of the  
34 33 cooperative. If the cooperative authorizes nonpatron  
34 34 membership interests, one of the following must apply:

34 35 (1) At least one-half of the voting power on matters of  
35 1 the cooperative that are not specific to equity  
35 2 classifications or allocation units shall be allocated to the  
35 3 directors elected by members holding patron membership  
35 4 interests.

35 5 (2) The directors elected by the members holding patron  
35 6 membership interests shall have at least an equal voting power  
35 7 or shall not have a minority voting power on general matters  
35 8 of the cooperative that are not specific to equity  
35 9 classifications or allocation units.

35 10 d. A director holds office for the term the director was  
35 11 elected and until a successor is elected and has qualified, or  
35 12 until the earlier death, resignation, removal, or  
35 13 disqualification of the director.

35 14 e. The expiration of a director's term with or without  
35 15 election of a qualified successor does not make the prior or  
35 16 subsequent acts of the director or the board void or voidable.

35 17 f. Subject to any limitation in the articles or bylaws,  
35 18 the board may set the compensation of directors.

35 19 g. Directors may be divided into or designated and elected  
35 20 by class or other distinction as provided in the articles or  
35 21 bylaws.

35 22 h. A director may resign by giving written notice to the  
35 23 chairperson of the board or the board. The resignation is  
35 24 effective without acceptance when the notice is given to the  
35 25 chairperson of the board or the board unless a later effective  
35 26 time is specified in the notice.

35 27 3. ELECTION AT REGULAR MEETING. Directors shall be  
35 28 elected at the regular members' meeting for the terms of  
35 29 office prescribed in the bylaws. Except for directors elected  
35 30 at district meetings or special meetings to fill a vacancy,  
35 31 all directors shall be elected at the regular members'  
35 32 meeting. There shall be no cumulative voting for directors  
35 33 except as provided in this chapter and the articles or bylaws.

35 34 4. DISTRICT OR LOCAL UNIT ELECTION OF DIRECTORS. For a  
35 35 cooperative with districts or other units, members may elect  
36 1 directors on a district or unit basis if provided in the  
36 2 bylaws. The directors may be nominated or elected at district  
36 3 meetings if provided in the bylaws. Directors who are  
36 4 nominated at district meetings shall be elected at the annual  
36 5 regular members' meeting by vote of the entire membership,  
36 6 unless the bylaws provide that directors who are nominated at  
36 7 district meetings are to be elected by vote of the members of  
36 8 the district, at the district meeting, or the annual regular  
36 9 members' meeting.

36 10 5. VOTE BY MAIL OR ALTERNATIVE BALLOT. The following  
36 11 shall apply to voting by mail or alternative ballot voting:

36 12 a. A member shall not vote for a director other than by  
36 13 being present at a meeting or by mail ballot or alternative  
36 14 ballot authorized by the board.

36 15 b. The ballot shall be in a form prescribed by the board.

36 16 c. The member shall mark the ballot for the candidate  
36 17 chosen and mail the ballot to the cooperative in a sealed  
36 18 plain envelope inside another envelope bearing the member's  
36 19 name, or shall vote designating the candidate chosen by  
36 20 alternative ballot in the manner prescribed by the board.

36 21 d. If the ballot of the member is received by the  
36 22 cooperative on or before the date of the regular members'  
36 23 meeting or as otherwise prescribed for alternative ballots,  
36 24 the ballot shall be accepted and counted as the vote of the  
36 25 absent member.

36 26 6. BUSINESS ENTITY MEMBERS MAY NOMINATE PERSONS FOR  
36 27 DIRECTOR. If a member of a cooperative is not a natural  
36 28 person, and the bylaws do not provide otherwise, the member  
36 29 may appoint or elect one or more natural persons to be  
36 30 eligible for election as a director.

36 31 7. TERM. A director holds office for the term the  
36 32 director was elected and until a successor is elected and has  
36 33 qualified, or the earlier death, resignation, removal, or  
36 34 disqualification of the director.

36 35 8. ACTS NOT VOID OR VOIDABLE. The expiration of a  
37 1 director's term with or without the election of a qualified  
37 2 successor does not make prior or subsequent acts of the  
37 3 director void or voidable.



37 4 9. COMPENSATION. Subject to any limitation in the  
37 5 articles or bylaws, the board may fix the compensation of the  
37 6 directors.

37 7 10. CLASSIFICATION. Directors may be divided into classes  
37 8 as provided in the articles or bylaws.

37 9 Sec. 37. NEW SECTION. 501A.704 FILLING VACANCIES.

37 10 1. PATRON DIRECTORS. If a patron member director's  
37 11 position becomes vacant or a new director position is created  
37 12 for a director that was or is to be elected by patron members,  
37 13 the board, in consultation with the directors elected by  
37 14 patron members, shall appoint a patron member of the  
37 15 cooperative to fill the director's position until the next  
37 16 regular or special members' meeting. If there are no  
37 17 directors elected by patron members on the board at the time  
37 18 of the vacancy, a special patron members' meeting shall be  
37 19 called to fill the patron member director vacancy.

37 20 2. NONPATRON DIRECTORS. If the vacating director was not  
37 21 elected by the patron members or a new director position is  
37 22 created, unless otherwise provided in the articles or bylaws,  
37 23 the board shall appoint a director to fill the vacant position  
37 24 by majority vote of the remaining or then serving directors  
37 25 even though less than a quorum. At the next regular or  
37 26 special members' meeting, the members or patron members shall  
37 27 elect a director to fill the unexpired term of the vacant  
37 28 director's position.

37 29 Sec. 38. NEW SECTION. 501A.705 REMOVAL OF DIRECTORS.

37 30 1. MODIFICATION. The provisions of this section apply  
37 31 unless modified by the articles or the bylaws.

37 32 2. REMOVAL OF DIRECTORS. A director may be removed at any  
37 33 time, with or without cause, if all of the following apply:

37 34 a. The director was named by the board to fill a vacancy.

37 35 b. The members have not elected directors in the interval  
38 1 between the time of the appointment to fill a vacancy and the  
38 2 time of the removal.

38 3 c. A majority of the remaining directors present  
38 4 affirmatively vote to remove the director.

38 5 3. REMOVAL BY MEMBERS. Any one or all of the directors  
38 6 may be removed at any time, with or without cause, by the  
38 7 affirmative vote of the holders of a majority of the voting  
38 8 power of membership interests entitled to vote at an election  
38 9 of directors, provided that if a director has been elected  
38 10 solely by the patron members or the holders of a class or  
38 11 series of membership interests as stated in the articles or  
38 12 bylaws, then that director may be removed only by the  
38 13 affirmative vote of the holders of a majority of the voting  
38 14 power of the patron members for a director elected by the  
38 15 patron members or of all membership interests of that class or  
38 16 series entitled to vote at an election of that director.

38 17 4. ELECTION OF REPLACEMENTS. New directors may be elected  
38 18 at a meeting at which directors are removed.

38 19 Sec. 39. NEW SECTION. 501A.706 BOARD OF DIRECTORS'  
38 20 MEETINGS.

38 21 1. TIME AND PLACE. Meetings of the board may be held from  
38 22 time to time as provided in the articles or bylaws at any  
38 23 place within or without the state that the board may select or  
38 24 by any means described in subsection 2. If the board fails to  
38 25 select a place for a meeting, the meeting must be held at the  
38 26 principal executive office, unless the articles or bylaws  
38 27 provide otherwise.

38 28 2. ELECTRONIC COMMUNICATIONS.

38 29 a. A conference among directors by any means of  
38 30 communication through which the directors may simultaneously  
38 31 hear each other during the conference constitutes a board  
38 32 meeting, if the same notice is given of the conference as  
38 33 would be required by subsection 3 for a meeting, and if the  
38 34 number of directors participating in the conference would be  
38 35 sufficient to constitute a quorum at a meeting. Participation  
39 1 in a meeting by that means constitutes presence in person at  
39 2 the meeting.

39 3 b. A director may participate in a board meeting not  
39 4 described in paragraph "a" by any means of communication  
39 5 through which the director, other directors so participating,  
39 6 and all directors physically present at the meeting may  
39 7 simultaneously hear each other during the meeting.  
39 8 Participation in a meeting by that means constitutes presence  
39 9 in person at the meeting.

39 10 3. CALLING MEETINGS AND NOTICE. Unless the articles or  
39 11 bylaws provide for a different time period, a director may  
39 12 call a board meeting by giving at least ten days' notice or,  
39 13 in the case of organizational meetings, at least three days'  
39 14 notice to all directors of the date, time, and place of the

39 15 meeting. The notice need not state the purpose of the meeting  
39 16 unless this chapter, the articles, or the bylaws require it.

39 17 4. PREVIOUSLY SCHEDULED MEETINGS. If the day or date,  
39 18 time, and place of a board meeting have been provided in the  
39 19 articles or bylaws, or announced at a previous meeting of the  
39 20 board, no notice is required. Notice of an adjourned meeting  
39 21 need not be given other than by announcement at the meeting at  
39 22 which adjournment is taken.

39 23 5. WAIVER OF NOTICE. A director may waive notice of a  
39 24 meeting of the board. A waiver of notice by a director  
39 25 entitled to notice is effective whether given before, at, or  
39 26 after the meeting, and whether given in writing, orally, or by  
39 27 attendance. Attendance by a director at a meeting is a waiver  
39 28 of notice of that meeting, except where the director objects  
39 29 at the beginning of the meeting to the transaction of business  
39 30 because the meeting is not lawfully called or convened and  
39 31 does not participate in the meeting after the objection.

39 32 6. ABSENT DIRECTORS. If the articles or bylaws so  
39 33 provide, a director may give advance written consent or  
39 34 opposition to a proposal to be acted on at a board meeting.  
39 35 If the director is not present at the meeting, consent or  
40 1 opposition to a proposal does not constitute presence for  
40 2 purposes of determining the existence of a quorum, but consent  
40 3 or opposition must be counted as the vote of a director  
40 4 present at the meeting in favor of or against the proposal and  
40 5 must be entered in the minutes or other record of action at  
40 6 the meeting, if the proposal acted on at the meeting is  
40 7 substantially the same or has substantially the same effect as  
40 8 the proposal to which the director has consented or objected.

40 9 Sec. 40. NEW SECTION. 501A.707 QUORUM.

40 10 A majority, or a larger or smaller portion or number  
40 11 provided in the articles or bylaws, of the directors currently  
40 12 holding office is a quorum for the transaction of business.  
40 13 In the absence of a quorum, a majority of the directors  
40 14 present may adjourn a meeting from time to time until a quorum  
40 15 is present. If a quorum is present when a duly called or held  
40 16 meeting is convened, the directors present may continue to  
40 17 transact business until adjournment, even though the  
40 18 withdrawal of a number of directors originally present leaves  
40 19 less than the proportion of number otherwise required for a  
40 20 quorum.

40 21 Sec. 41. NEW SECTION. 501A.708 ACT OF BOARD OF  
40 22 DIRECTORS.

40 23 1. Except as provided in subsection 2, the board shall  
40 24 only take action by the affirmative vote of the greater of any  
40 25 of the following:

40 26 a. A majority of directors present or a majority of  
40 27 directors' voting authority present at a duly held meeting at  
40 28 the time the action is taken.

40 29 b. A majority of the minimum proportion or number of  
40 30 directors or a majority of the minimum proportion or number of  
40 31 directors' voting authority that would constitute a quorum for  
40 32 the transaction of business at the meeting.

40 33 2. The articles or bylaws may require the affirmative vote  
40 34 of a larger proportion or number than provided in subsection

40 35 1. If the articles or bylaws require a larger proportion or  
41 1 number than is required by this chapter for a particular  
41 2 action, the articles or bylaws control.

41 3 Sec. 42. NEW SECTION. 501A.709 ACTION WITHOUT A MEETING.

41 4 1. METHOD. An action required or permitted to be taken at  
41 5 a board meeting may be taken by written action signed by all  
41 6 of the directors. If the articles or bylaws so provide, any  
41 7 action, other than an action requiring member approval, may be  
41 8 taken by written action signed by the number of directors that  
41 9 would be required to take the same action at a meeting of the  
41 10 board at which all directors were present.

41 11 2. EFFECTIVE TIME. The written action is effective when  
41 12 signed by the required number of directors, unless a different  
41 13 effective time is provided in the written action.

41 14 3. NOTICE AND LIABILITY. When written action is permitted  
41 15 to be taken by less than all directors, all directors must be  
41 16 notified immediately of its text and effective date. Failure  
41 17 to provide the notice does not invalidate the written action.  
41 18 A director who does not sign or consent to the written action  
41 19 has no liability for the action or actions taken by the  
41 20 written action.

41 21 Sec. 43. NEW SECTION. 501A.710 AUDIT COMMITTEE.

41 22 The board shall establish an audit committee to review the  
41 23 financial information and accounting report of the  
41 24 cooperative. The cooperative shall have the financial  
41 25 information audited for presentation to the members unless the

41 26 cooperative's bylaws allow financial statements that are not  
41 27 audited and the financial statements clearly state that they  
41 28 are not audited and the difference between the financial  
41 29 statements and audited financial statements that are prepared  
41 30 according to generally accepted accounting procedures. The  
41 31 directors shall elect members to the audit committee. The  
41 32 audit committee shall ensure an independent review of the  
41 33 cooperative's finances and audit.

41 34 Sec. 44. NEW SECTION. 501A.711 COMMITTEES.

41 35 1. GENERALLY. A resolution approved by the affirmative  
42 1 vote of a majority of the board may establish committees  
42 2 having the authority of the board in the management of the  
42 3 business of the cooperative only to the extent provided in the  
42 4 resolution. Committees may include a special litigation  
42 5 committee consisting of one or more independent directors or  
42 6 other independent persons to consider legal rights or remedies  
42 7 of the cooperative and whether those rights and remedies  
42 8 should be pursued. Committees other than special litigation  
42 9 committees are subject at all times to the direction and  
42 10 control of the board.

42 11 2. MEMBERSHIP. Committee members must be natural persons.  
42 12 Unless the articles or bylaws provide for a different  
42 13 membership or manner of appointment, a committee consists of  
42 14 one or more persons, who need not be directors, appointed by  
42 15 affirmative vote of a majority of the directors present.

42 16 3. PROCEDURE. The procedures for meetings of the board  
42 17 apply to committees and members of committees to the same  
42 18 extent as those sections apply to the board and individual  
42 19 directors.

42 20 4. MINUTES. Minutes, if any, of committee meetings must  
42 21 be made available upon request to members of the committee and  
42 22 to any director.

42 23 5. STANDARD OF CONDUCT. The establishment of, delegation  
42 24 of authority to, and action by a committee does not alone  
42 25 constitute compliance by a director with the standard of  
42 26 conduct set forth in section 501A.712.

42 27 6. COMMITTEE MEMBERS CONSIDERED DIRECTORS. Committee  
42 28 members are considered to be directors for purposes of  
42 29 sections 501A.712, 501A.713, and 501A.715.

42 30 Sec. 45. NEW SECTION. 501A.712 STANDARD OF CONDUCT.

42 31 1. STANDARD AND LIABILITY. A director shall discharge the  
42 32 duties of the position of director in good faith, in a manner  
42 33 the director reasonably believes to be in the best interests  
42 34 of the cooperative, and with the care an ordinarily prudent  
42 35 person in a like position would exercise under similar  
43 1 circumstances. A person who so performs those duties is not  
43 2 liable by reason of being or having been a director of the  
43 3 cooperative.

43 4 2. RELIANCE.

43 5 a. A director is entitled to rely on information,  
43 6 opinions, reports, or statements, including financial  
43 7 statements and other financial data, in each case prepared or  
43 8 presented by any of the following:

43 9 (1) One or more officers or employees of the cooperative  
43 10 who the director reasonably believes to be liable and  
43 11 competent in the matters presented.

43 12 (2) Counsel, public accountants, or other persons as to  
43 13 matters that the director reasonably believes are within the  
43 14 person's professional or expert competence.

43 15 (3) A committee of the board upon which the director does  
43 16 not serve, duly established by the board, as to matters within  
43 17 its designated authority, if the director reasonably believes  
43 18 the committee to merit confidence.

43 19 b. Paragraph "a" does not apply to a director who has  
43 20 knowledge concerning the matter in question that makes the  
43 21 reliance otherwise permitted by paragraph "a" unwarranted.

43 22 3. PRESUMPTION OF ASSENT AND DISSENT. A director who is  
43 23 present at a meeting of the board when an action is approved  
43 24 by the affirmative vote of a majority of the directors present  
43 25 is presumed to have assented to the action approved, unless  
43 26 any of the following applies:

43 27 a. The director objects at the beginning of the meeting to  
43 28 the transaction of business because the meeting is not  
43 29 lawfully called or convened and does not participate in the  
43 30 meeting after the objection, in which case the director is not  
43 31 considered to be present at the meeting for any purpose of  
43 32 this chapter.

43 33 b. The director votes against the action at the meeting.

43 34 c. The director is prohibited by a conflict of interest  
43 35 from voting on the action.

44 1 4. CONSIDERATIONS. In discharging the duties of the

44 2 position of director, a director may, in considering the best  
44 3 interests of the cooperative, consider the interests of the  
44 4 cooperative's employees, customers, suppliers, and creditors,  
44 5 the economy of the state, and long-term as well as short-term  
44 6 interests of the cooperative and its patron members, including  
44 7 the possibility that these interests may be best served by the  
44 8 continued independence of the cooperative.

44 9 Sec. 46. NEW SECTION. 501A.713 DIRECTOR CONFLICTS OF  
44 10 INTEREST.

44 11 1. CONFLICT AND PROCEDURE WHEN CONFLICT ARISES.

44 12 a. A contract or other transaction between a cooperative  
44 13 and one or more of its directors, or between a cooperative and  
44 14 a business entity in or of which one or more of its directors  
44 15 are governors, directors, managers, officers, or legal  
44 16 representatives or have a material financial interest, is not  
44 17 void or voidable because the director or directors or the  
44 18 other business entities are parties or because the director or  
44 19 directors are present at the meeting of the members or the  
44 20 board or a committee at which the contract or transaction is  
44 21 authorized, approved, or ratified, if any of the following  
44 22 applies:

44 23 (1) The contract or transaction was, and the person  
44 24 asserting the validity of the contract or transaction sustains  
44 25 the burden of establishing that the contract or transaction  
44 26 was, fair and reasonable as to the cooperative at the time it  
44 27 was authorized, approved, or ratified and all of the following  
44 28 apply:

44 29 (a) The material facts as to the contract or transaction  
44 30 and as to the director's or directors' interest are disclosed  
44 31 or known to the members.

44 32 (b) The material facts as to the contract or transaction  
44 33 and as to the director's or directors' interest are fully  
44 34 disclosed or known to the board or a committee, and the board  
44 35 or committee authorizes, approves, or ratifies the contract or  
45 1 transaction in good faith by a majority of the board or  
45 2 committee, but the interested director or directors are not  
45 3 counted in determining the presence of a quorum and must not  
45 4 vote.

45 5 (2) The contract or transaction is a distribution,  
45 6 contract, or transaction that is made available to all members  
45 7 or patron members as part of the cooperative's business.

45 8 b. If a committee is elected or appointed to authorize,  
45 9 ratify, or approve a contract or transaction under this  
45 10 section, the members of the committee must not have a conflict  
45 11 of interest and must be charged with representing the best  
45 12 interests of the cooperative.

45 13 2. MATERIAL FINANCIAL INTEREST. For purposes of this  
45 14 section, all of the following apply:

45 15 a. A resolution fixing the compensation of a director or  
45 16 fixing the compensation of another director as a director,  
45 17 officer, employee, or agent of the cooperative is not void or  
45 18 voidable or considered to be a contract or other transaction  
45 19 between a cooperative and one or more of its directors for  
45 20 purposes of this section even though the director receiving  
45 21 the compensation fixed by the resolution is present and voting  
45 22 at the meeting of the board or a committee at which the  
45 23 resolution is authorized, approved, or ratified or even though  
45 24 other directors voting upon the resolution are also receiving  
45 25 compensation from the cooperative.

45 26 b. A director has a material financial interest in each  
45 27 organization in which the director or a family member of the  
45 28 director has a material financial interest. A contract or  
45 29 other transaction between a cooperative and a family member of  
45 30 a director is considered to be a transaction between the  
45 31 cooperative and the director. A family member of a director  
45 32 includes the spouse, parents, children and spouses of  
45 33 children, brothers and sisters and spouses of brothers and  
45 34 sisters, and the brothers and sisters of the spouse of the  
45 35 director or any combination of them.

46 1 Sec. 47. NEW SECTION. 501A.714 LIMITATION OF DIRECTOR'S  
46 2 LIABILITY.

46 3 Except as otherwise provided in this chapter, a director,  
46 4 officer, employee, or member of the cooperative is not liable  
46 5 for the cooperative's debts or obligations, and a director,  
46 6 officer, member, or other volunteer is not personally liable  
46 7 in that capacity, for a claim based upon any action taken, or  
46 8 any failure to take action in the discharge of the person's  
46 9 duties, except for the amount of a financial benefit received  
46 10 by the person to which the person is not entitled, an  
46 11 intentional infliction of harm to the cooperative or its  
46 12 members or patrons, or an intentional violation of criminal

46 13 law.

46 14 Sec. 48. NEW SECTION. 501A.715 INDEMNIFICATION.

46 15 1. DEFINITIONS. As used in this section, all of the  
46 16 following apply:

46 17 a. "Official capacity" means any of the following:

46 18 (1) With respect to a director, the position of director  
46 19 in a cooperative.

46 20 (2) With respect to a person other than a director, the  
46 21 elective or appointive office or position held by the person,  
46 22 member of a committee of the board, the employment  
46 23 relationship undertaken by an employee of the cooperative, or  
46 24 the scope of the services provided by members of the  
46 25 cooperative who provide services to the cooperative.

46 26 (3) With respect to a director, chief executive officer,  
46 27 member, or employee of the cooperative who, while a director,  
46 28 chief executive officer, or member or employee of the  
46 29 cooperative, is or was serving at the request of the  
46 30 cooperative or whose duties in that position involve or  
46 31 involved service as a governor, director, manager, officer,  
46 32 member, partner, trustee, employee, or agent of another  
46 33 organization or employee benefit plan, the position of that  
46 34 person as a governor, director, manager, officer, member,  
46 35 partner, trustee, employee, or agent, as the case may be, of  
47 1 the other organization or employee benefit plan.

47 2 b. "Predecessor entity" includes a domestic cooperative or  
47 3 foreign cooperative that was the predecessor of the  
47 4 cooperative referred to in this section in a merger or other  
47 5 transaction in which the predecessor entity's existence ceased  
47 6 upon consummation of the transaction.

47 7 c. "Proceeding" means a threatened, pending, or completed  
47 8 civil, criminal, administrative, arbitration, or investigative  
47 9 proceeding, including a proceeding by or in the right of the  
47 10 cooperative.

47 11 d. "Special legal counsel" means counsel who has not  
47 12 represented the cooperative or a related organization, or a  
47 13 director, manager, member of a committee of the board, or  
47 14 employee whose indemnification is in issue.

47 15 2. INDEMNIFICATION.

47 16 a. Subject to the provisions of subsection 4, a  
47 17 cooperative shall indemnify a person made or threatened to be  
47 18 made a party to a proceeding by reason of the former or  
47 19 present official capacity of the person against judgments,  
47 20 penalties, fines, including, without limitation, excise taxes  
47 21 assessed against the person with respect to an employee  
47 22 benefit plan, settlements, and reasonable expenses, including  
47 23 attorney fees and disbursements incurred by the person in  
47 24 connection with the proceeding, if, with respect to the acts  
47 25 or omissions of the person complained of in the proceeding,  
47 26 any of the following applies:

47 27 (1) All of the following apply:

47 28 (a) The person has not been indemnified by another  
47 29 organization or employee benefit plan for the same judgments,  
47 30 penalties, fines, including, without limitation, excise taxes  
47 31 assessed against the person with respect to an employee  
47 32 benefit plan, settlements, and reasonable expenses, including  
47 33 attorney fees and disbursements incurred by the person in  
47 34 connection with the proceeding with respect to the same acts  
47 35 or omissions.

48 1 (b) The person acted in good faith.

48 2 (c) The person has not received an improper personal  
48 3 benefit.

48 4 (d) The person has not committed an act for which  
48 5 liability cannot be eliminated or limited under section  
48 6 501A.714.

48 7 (e) In the case of a criminal proceeding, the person had  
48 8 no reasonable cause to believe the conduct was unlawful.

48 9 (2) (a) In the case of an act or omission occurring in  
48 10 the official capacity described in subsection 1, paragraph  
48 11 "a", subparagraph (1) or (2), the person reasonably believed  
48 12 that the conduct was in the best interests of the cooperative.

48 13 (b) In the case of an act or omission occurring in the  
48 14 official capacity described in subsection 1, paragraph "a",  
48 15 subparagraph (3), the person reasonably believed that the  
48 16 conduct was not opposed to the best interests of the  
48 17 cooperative.

48 18 If the person's acts or omissions complained of in the  
48 19 proceeding relate to conduct as a director, officer, trustee,  
48 20 employee, or agent of an employee benefit plan, the conduct is  
48 21 not considered to be opposed to the best interests of the  
48 22 cooperative if the person reasonably believed that the conduct  
48 23 was in the best interests of the participants or beneficiaries

48 24 of the employee benefit plan.

48 25 b. The termination of a proceeding by judgment, order,  
48 26 settlement, conviction, or upon a plea of nolo contendere or  
48 27 its equivalent does not, of itself, establish that the person  
48 28 did not meet the criteria set forth in this subsection.

48 29 3. ADVANCES. Subject to the provisions of subsection 4,  
48 30 if a person is made or threatened to be made a party to a  
48 31 proceeding, the person is entitled, upon written request to  
48 32 the cooperative, to payment or reimbursement by the  
48 33 cooperative of reasonable expenses, including attorney fees  
48 34 and disbursements incurred by the person in advance of the  
48 35 final disposition of the proceeding, as follows:

49 1 a. Upon receipt by the cooperative of a written  
49 2 affirmation by the person of a good-faith belief that the  
49 3 criteria for indemnification set forth in subsection 2 has  
49 4 been satisfied, and a written undertaking by the person to  
49 5 repay all amounts paid or reimbursed by the cooperative, if it  
49 6 is ultimately determined that the criteria for indemnification  
49 7 have not been satisfied.

49 8 b. After a determination that the facts then known to  
49 9 those making the determination would not preclude  
49 10 indemnification under this section.

49 11 The written undertaking required by this subsection is an  
49 12 unlimited general obligation of the person making it, but need  
49 13 not be secured and shall be accepted without reference to  
49 14 financial ability to make the repayment.

49 15 4. PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.

49 16 The articles or bylaws either may prohibit indemnification or  
49 17 advances of expenses otherwise required by this section or may  
49 18 impose conditions on indemnification or advances of expenses  
49 19 in addition to the conditions contained in subsection 2 or 3,  
49 20 including, without limitation, monetary limits on  
49 21 indemnification or advances of expenses if the conditions  
49 22 apply equally to all persons or to all persons within a given  
49 23 class. A prohibition or limit on indemnification or advances  
49 24 of expenses shall not apply to or affect the right of a person  
49 25 to indemnification or advances of expenses with respect to any  
49 26 acts or omissions of the person occurring before the effective  
49 27 date of a provision in the articles or the date of adoption of  
49 28 a provision in the bylaws establishing the prohibition or  
49 29 limit on indemnification or advances of expenses.

49 30 5. REIMBURSEMENT TO WITNESSES. This section does not  
49 31 require, or limit the ability of, a cooperative to reimburse  
49 32 expenses, including attorney fees and disbursements incurred  
49 33 by a person in connection with an appearance as a witness in a  
49 34 proceeding at a time when the person has not been made or  
49 35 threatened to be made a party to a proceeding.

50 1 6. DETERMINATION OF ELIGIBILITY.

50 2 a. All determinations whether indemnification of a person  
50 3 is required because the criteria set forth in subsection 2  
50 4 have been satisfied and whether a person is entitled to  
50 5 payment or reimbursement of expenses in advance of the final  
50 6 disposition of a proceeding as provided in subsection 3 must  
50 7 be made as follows:

50 8 (1) By the board by a majority of a quorum, if the  
50 9 directors who are, at the time, parties to the proceeding are  
50 10 not counted for determining either a majority or the presence  
50 11 of a quorum.

50 12 (2) If a quorum under subparagraph (1) cannot be obtained  
50 13 by a majority of a committee of the board consisting solely of  
50 14 two or more directors not at the time parties to the  
50 15 proceeding duly designated to act in the matter by a majority  
50 16 of the full board, including directors who are parties.

50 17 (3) If a determination is not made under subparagraph (1)  
50 18 or (2) by special legal counsel selected either by a majority  
50 19 of the board or a committee by vote under subparagraph (1) or  
50 20 (2) or if the requisite quorum of the full board cannot be  
50 21 obtained and the committee cannot be established by a majority  
50 22 of the full board, including directors who are parties.

50 23 (4) If a determination is not made under subparagraphs (1)  
50 24 through (3) by the affirmative vote of the members, but the  
50 25 membership interests held by parties to the proceeding must  
50 26 not be counted in determining the presence of a quorum, and  
50 27 are not considered to be present and entitled to vote on the  
50 28 determination.

50 29 (5) If an adverse determination is made under  
50 30 subparagraphs (1) through (4) or paragraph "b" or if a  
50 31 determination is not made under subparagraphs (1) through (4)  
50 32 or paragraph "b" within sixty days either after the later to  
50 33 occur of the termination of a proceeding or a written request  
50 34 for indemnification to the cooperative, or a written request

50 35 for an advance of expenses, as the case may be, by a court in  
51 1 this state, which may be the same court in which the  
51 2 proceeding involving the person's liability took place upon  
51 3 application of the person and any notice the court requires.  
51 4 The person seeking indemnification or payment or reimbursement  
51 5 of expenses under this subparagraph has the burden of  
51 6 establishing that the person is entitled to indemnification or  
51 7 payment or reimbursement of expenses.

51 8 b. With respect to a person who is not, and was not at the  
51 9 time of the act or omission complained of in the proceedings,  
51 10 a director, chief executive officer, or person possessing,  
51 11 directly or indirectly, the power to direct or cause the  
51 12 direction of the management or policies of the cooperative,  
51 13 the determination whether indemnification of this person is  
51 14 required because the criteria set forth in subsection 2 have  
51 15 been satisfied and whether such person is entitled to payment  
51 16 or reimbursement of expenses in advance of the final  
51 17 disposition of a proceeding as provided in subsection 3, may  
51 18 be made by an annually appointed committee of the board,  
51 19 having at least one member who is a director. The committee  
51 20 shall report at least annually to the board concerning its  
51 21 actions.

51 22 7. INSURANCE. A cooperative may purchase and maintain  
51 23 insurance on behalf of a person in that person's official  
51 24 capacity against any liability asserted against and incurred  
51 25 by the person in or arising from that capacity, whether or not  
51 26 the cooperative would have been required to indemnify the  
51 27 person against the liability under the provisions of this  
51 28 section.

51 29 8. DISCLOSURE. A cooperative that indemnifies or advances  
51 30 expenses to a person in accordance with this section in  
51 31 connection with a proceeding by or on behalf of the  
51 32 cooperative shall report to the members in writing the amount  
51 33 of the indemnification or advance and to whom and on whose  
51 34 behalf it was paid not later than the next meeting of members.

51 35 9. INDEMNIFICATION OF OTHER PERSONS. Nothing in this  
52 1 section must be construed to limit the power of the  
52 2 cooperative to indemnify persons other than a director, chief  
52 3 executive officer, member, employee, or member of a committee  
52 4 of the board of the cooperative by contract or otherwise.

52 5 Sec. 49. NEW SECTION. 501A.716 OFFICERS.

52 6 1. REQUIRED OFFICERS.

52 7 a. The board shall elect all of the following:

52 8 (1) A chairperson.

52 9 (2) One or more vice chairpersons.

52 10 b. The board shall elect or appoint all of the following:

52 11 (1) A records officer.

52 12 (2) A financial officer.

52 13 c. The officers, other than the chief executive officer,  
52 14 shall not have the authority to bind the cooperative except as  
52 15 authorized by the board.

52 16 2. ADDITIONAL OFFICERS. The board may elect additional  
52 17 officers as the articles or bylaws authorize or require.

52 18 3. RECORDS OFFICER AND FINANCIAL OFFICER MAY BE COMBINED.

52 19 The offices of records officer and financial officer may be  
52 20 combined.

52 21 4. OFFICERS THAT MUST BE MEMBERS. The chairperson and  
52 22 first vice chairperson shall be directors and members. The  
52 23 financial officer, records officer, and additional officers  
52 24 need not be directors or members.

52 25 5. CHIEF EXECUTIVE OFFICER. The board may employ a chief  
52 26 executive officer to manage the day-to-day affairs and  
52 27 business of the cooperative, and if a chief executive officer  
52 28 is employed, the chief executive officer shall have the  
52 29 authority to implement the functions, duties, and obligations  
52 30 of the cooperative except as restricted by the board. The  
52 31 chief executive officer shall not exercise authority reserved  
52 32 to the board or the members under this chapter, the articles,  
52 33 or the bylaws.

#### 52 34 SUBCHAPTER 8

#### 52 35 MEMBERS

53 1 Sec. 50. NEW SECTION. 501A.801 MEMBERS.

53 2 1. REQUIREMENT. A cooperative shall have one or more  
53 3 patron members.

53 4 2. GROUPING OF MEMBERS.

53 5 a. A cooperative may group members and patron members in  
53 6 districts, units, or on another basis if and as authorized in  
53 7 its articles or bylaws. The articles or bylaws may include  
53 8 authorization for the board to determine the groupings.

53 9 b. The board may implement the use of districts or units,  
53 10 including setting the time and place and prescribing the rules

53 11 of conduct for holding meetings by districts or units to elect  
53 12 delegates to members' meetings.

53 13 3. MEMBER VIOLATIONS.

53 14 a. A member who knowingly, intentionally, or repeatedly  
53 15 violates a provision of this chapter, the articles or bylaws  
53 16 of the cooperative, or a member control agreement or marketing  
53 17 contract with the cooperative may be required by the board to  
53 18 surrender the member's voting power or the financial rights of  
53 19 membership interest of any class owned by the member, or both.

53 20 b. The cooperative shall refund to the member for the  
53 21 surrendered financial rights of membership interest the lesser  
53 22 of the book value or market value of the financial right of  
53 23 the membership interest payable in not more than seven years  
53 24 from the date of surrender or the board may transfer all of  
53 25 any patron member's financial rights to a class of financial  
53 26 rights held by members who are not patron members, or to a  
53 27 certificate of interest, which carries liquidation rights on  
53 28 par with membership interests and is redeemed within seven  
53 29 years after the transfer as provided in the certificate.

53 30 c. Membership interests required to be surrendered may be  
53 31 reissued or be retired and canceled by the board.

53 32 4. INSPECTION OF COOPERATIVE RECORDS BY MEMBER.

53 33 a. A member is entitled to inspect and copy, at the  
53 34 member's expense, during regular business hours at a  
53 35 reasonable location specified by the cooperative, any of the  
54 1 records described in section 501A.507 if the member meets the  
54 2 requirements of paragraph "b" and gives the cooperative  
54 3 written demand at least five business days before the date on  
54 4 which the member wishes to inspect and copy the records.  
54 5 Notwithstanding the provisions of this subsection or any  
54 6 provisions of section 501A.507, a member shall not have the  
54 7 right to inspect or copy any records of the cooperative  
54 8 relating to the amount of equity capital in the cooperative  
54 9 held by any person or any accounts receivable or other amounts  
54 10 due the cooperative from any person, or any personnel records  
54 11 or employment records of any employee.

54 12 b. To be entitled to inspect and copy permitted records,  
54 13 the member shall meet all of the following requirements:

54 14 (1) The member must have been a member for at least one  
54 15 year immediately preceding the demand to inspect or copy or  
54 16 must be a member holding at least five percent of all of the  
54 17 outstanding equity interests in the cooperative as of the date  
54 18 the demand is made.

54 19 (2) The demand is made in good faith and for a proper  
54 20 cooperative business purpose.

54 21 (3) The member describes with reasonable particularity the  
54 22 purpose and the records the member desires to inspect.

54 23 (4) The records are directly connected with the described  
54 24 purpose.

54 25 c. The right of inspection granted by this subsection  
54 26 shall not be abolished or limited by the articles, bylaws, or  
54 27 any actions of the board or the members.

54 28 d. This subsection does not affect any of the following:

54 29 (1) The right of a member to inspect records to the same  
54 30 extent as any other litigant if the member is in litigation  
54 31 with the cooperative.

54 32 (2) The power of a court to compel the production of the  
54 33 cooperative's records for examination.

54 34 e. Notwithstanding any other provision in this subsection,  
54 35 if the records to be inspected or copied are in active use or  
55 1 storage and, therefore, not available at the time otherwise  
55 2 provided for inspection or copying, the cooperative shall  
55 3 notify the member and shall set a date and hour within three  
55 4 business days of the date otherwise set in this subsection for  
55 5 the inspection or copying.

55 6 f. A member's agent or attorney has the same inspection  
55 7 and copying rights as the member. The right to copy records  
55 8 under this subsection includes, if reasonable, the right to  
55 9 receive copies made by photographic copying, xerographic  
55 10 copying, or other means. The cooperative may impose a  
55 11 reasonable charge, covering the costs of labor and material,  
55 12 for copies of any documents provided to the member. The  
55 13 charge shall not exceed the estimated cost of production and  
55 14 reproduction of the records.

55 15 g. If a cooperative refuses to allow a member, or the  
55 16 member's agent or attorney, who complies with this subsection  
55 17 to inspect or copy any records that the member is entitled to  
55 18 inspect or copy within a prescribed time limit or, if none,  
55 19 within a reasonable time, the district court of the county in  
55 20 this state where the cooperative's principal office is located  
55 21 or, if it has no principal office in this state, the district



55 22 court of the county in which its registered office is located  
55 23 may, on application of the member, summarily order the  
55 24 inspection or copying of the records demanded at the  
55 25 cooperative's expense.

55 26 h. If a court orders inspection or copying of the records  
55 27 demanded, unless the cooperative proves that it refused  
55 28 inspection or copying in good faith because it had a  
55 29 reasonable basis for doubt about the right of the member or  
55 30 the member's agent or attorney to inspect or copy the records  
55 31 demanded, all of the following shall apply:

55 32 (1) The court may order the losing party to pay the  
55 33 prevailing party's reasonable costs, including reasonable  
55 34 attorney fees.

55 35 (2) The court may order the losing party to pay the  
56 1 prevailing party for any damages the prevailing party shall  
56 2 have incurred by reason of the subject matter of the  
56 3 litigation.

56 4 (3) If inspection or copying is ordered under this  
56 5 paragraph "h", the court may order the cooperative to pay the  
56 6 member's inspection and copying expenses.

56 7 (4) The court may grant either party any other remedy  
56 8 provided by law.

56 9 (5) The court may impose reasonable restrictions on the  
56 10 use or distribution of the records by the demanding member.

56 11 Sec. 51. NEW SECTION. 501A.802 MEMBER NOT LIABLE FOR  
56 12 COOPERATIVE DEBTS.

56 13 A member is not, merely on the account of that status,  
56 14 personally liable for the acts, debts, liabilities, or  
56 15 obligations of a cooperative. A member is liable for any  
56 16 unpaid subscription for the membership interest, unpaid  
56 17 membership fees, or a debt for which the member has separately  
56 18 contracted with the cooperative.

56 19 Sec. 52. NEW SECTION. 501A.803 REGULAR MEMBERS'  
56 20 MEETINGS.

56 21 1. ANNUAL MEETING. Regular members' meetings shall be  
56 22 held annually at a time determined by the board, unless  
56 23 otherwise provided for in the bylaws.

56 24 2. LOCATION. The regular members' meeting shall be held  
56 25 at the principal place of business of the cooperative or at  
56 26 another conveniently located place as determined by the bylaws  
56 27 or the board.

56 28 3. BUSINESS AND FISCAL REPORTS. The officers shall submit  
56 29 reports to the members at the regular members' meeting  
56 30 covering the business of the cooperative for the previous  
56 31 fiscal year that show the condition of the cooperative at the  
56 32 close of the fiscal year.

56 33 4. ELECTION OF DIRECTORS. All directors shall be elected  
56 34 at the regular members' meeting for the terms of office  
56 35 prescribed in the bylaws, except for directors elected at  
57 1 district or unit meetings.

57 2 5. NOTICE.

57 3 a. The cooperative shall give notice of regular members'  
57 4 meetings by mailing the regular members' meeting notice to  
57 5 each member at the members' last known post office address or  
57 6 by other notification approved by the board and agreed to by  
57 7 the members. The regular members' meeting notice shall be  
57 8 published or otherwise given by approved method at least two  
57 9 weeks before the date of the meeting or mailed at least  
57 10 fifteen days before the date of the meeting.

57 11 b. The notice shall contain a summary of any bylaw  
57 12 amendments adopted by the board since the last annual meeting.

57 13 6. WAIVER AND OBJECTIONS. A member may waive notice of a  
57 14 meeting of members. A waiver of notice by a member entitled  
57 15 to notice is effective whether given before, at, or after the  
57 16 meeting, and whether given in writing, orally, or by  
57 17 attendance. Attendance by a member at a meeting is a waiver  
57 18 of notice of that meeting, except where the member objects at  
57 19 the beginning of the meeting to the transaction of business  
57 20 because the meeting is not lawfully called or convened, or  
57 21 objects before a vote on an item of business because the item  
57 22 cannot lawfully be considered at that meeting and does not  
57 23 participate in the consideration of the item at that meeting.

57 24 Sec. 53. NEW SECTION. 501A.804 SPECIAL MEMBERS'  
57 25 MEETINGS.

57 26 1. CALLING MEETING. Special members' meetings of the  
57 27 members may be called by any of the following:

57 28 a. A majority vote of the board.

57 29 b. The written petition of at least twenty percent of the  
57 30 patron members and, if authorized by the articles or bylaws,  
57 31 twenty percent of the nonpatron members, twenty percent of all  
57 32 members, or members representing twenty percent of the

57 33 membership interests collectively submitted to the  
57 34 chairperson.

57 35 2. NOTICE. The cooperative shall give notice of a special  
58 1 members' meeting by mailing the special members' meeting  
58 2 notice to each member personally at the person's last known  
58 3 post office address or an alternative method approved by the  
58 4 board and agreed to by the member individually or the members  
58 5 generally. For a member that is an entity, notice mailed or  
58 6 delivered by an alternative method shall be to an officer of  
58 7 the entity. The special members' meeting notice shall state  
58 8 the time, place, and purpose of the special members' meeting.  
58 9 The special members' meeting notice shall be issued within ten  
58 10 days from and after the date of the presentation of a members'  
58 11 petition, and the special members' meeting shall be held  
58 12 within thirty days after the date of the presentation of the  
58 13 members' petition.

58 14 3. WAIVER AND OBJECTIONS. A member may waive notice of a  
58 15 meeting of members. A waiver of notice by a member entitled  
58 16 to notice is effective whether given before, at, or after the  
58 17 meeting, and whether given in writing, orally, or by  
58 18 attendance. Attendance by a member at a meeting is a waiver  
58 19 of notice of that meeting, except where the member objects at  
58 20 the beginning of the meeting to the transaction of business  
58 21 because the meeting is not lawfully called or convened, or  
58 22 objects before a vote on an item of business because the item  
58 23 cannot lawfully be considered at that meeting and does not  
58 24 participate in the consideration of the item at that meeting.

58 25 Sec. 54. NEW SECTION. 501A.805 CERTIFICATION OF MEETING  
58 26 NOTICE.

58 27 1. CERTIFICATE OF MAILING. After mailing special or  
58 28 regular members' meeting notices or otherwise delivering the  
58 29 notices, the cooperative shall execute a certificate  
58 30 containing the date of mailing or delivery of the notice and a  
58 31 statement that the special or regular members' meeting notices  
58 32 were mailed or delivered as prescribed by law.

58 33 2. MATTER OF RECORD. The certificate shall be made a part  
58 34 of the record of the meeting.

58 35 3. FAILURE TO RECEIVE MEETING NOTICE. Failure of a member  
59 1 to receive a special or regular members' meeting notice does  
59 2 not invalidate an action taken by the members at a members'  
59 3 meeting.

59 4 Sec. 55. NEW SECTION. 501A.806 QUORUM.

59 5 1. QUORUM. The quorum for a members' meeting to transact  
59 6 business shall be by any of the following:

59 7 a. Ten percent of the total number of members of a  
59 8 cooperative with five hundred or fewer members.

59 9 b. Fifty members for cooperatives with more than five  
59 10 hundred members.

59 11 2. QUORUM FOR VOTING BY MAIL. In determining a quorum at  
59 12 a meeting, on a question submitted to a vote by mail or an  
59 13 alternative method, members present in person or represented  
59 14 by mail vote or the alternative voting method shall be  
59 15 counted. The attendance of a sufficient number of members to  
59 16 constitute a quorum shall be established by a registration of  
59 17 the members of the cooperative present at the meeting. The  
59 18 registration shall be verified by the chairperson or the  
59 19 records officer of the cooperative and shall be reported in  
59 20 the minutes of the meeting.

59 21 3. MEETING ACTION INVALID WITHOUT QUORUM. An action by a  
59 22 cooperative is not valid or legal in the absence of a quorum  
59 23 at the meeting at which the action was taken.

59 24 Sec. 56. NEW SECTION. 501A.807 REMOTE COMMUNICATIONS FOR  
59 25 MEMBERS' MEETINGS.

59 26 1. CONSTRUCTION AND APPLICATION. This section shall be  
59 27 construed and applied to all of the following:

59 28 a. To facilitate remote communication consistent with  
59 29 other applicable law.

59 30 b. To be consistent with reasonable practices concerning  
59 31 remote communication and with the continued expansion of those  
59 32 practices.

59 33 2. MEMBERS' MEETINGS HELD SOLELY BY MEANS OF REMOTE

59 34 COMMUNICATION. To the extent authorized in the articles, a  
59 35 member control agreement, or the bylaws and determined by the  
60 1 board, a regular or special meeting of members may be held  
60 2 solely by any combination of means of remote communication  
60 3 through which the members may participate in the meeting, if  
60 4 notice of the meeting is given to every owner of membership  
60 5 interests entitled to vote as would be required by this  
60 6 chapter for a meeting, and if the membership interests held by  
60 7 the members participating in the meeting would be sufficient  
60 8 to constitute a quorum at a meeting. Participation by a

60 9 member by that means constitutes presence at the meeting in  
60 10 person or by proxy if all the other requirements of this  
60 11 chapter for the meeting are met.  
60 12 3. PARTICIPATION IN MEMBERS' MEETINGS BY MEANS OF REMOTE  
60 13 COMMUNICATION. To the extent authorized in the articles or  
60 14 the bylaws and determined by the board, a member not  
60 15 physically present in person or by proxy at a regular or  
60 16 special meeting of members may, by means of remote  
60 17 communication, participate in a meeting of members held at a  
60 18 designated place. Participation by a member by that means  
60 19 constitutes presence at the meeting in person or by proxy if  
60 20 all the other requirements of this chapter for the meeting are  
60 21 met.

60 22 4. REQUIREMENTS FOR MEETINGS HELD SOLELY BY MEANS OF  
60 23 REMOTE COMMUNICATION AND FOR PARTICIPATION BY MEANS OF REMOTE  
60 24 COMMUNICATION. In any meeting of members held solely by means  
60 25 of remote communication under subsection 2 or in any meeting  
60 26 of members held at a designated place in which one or more  
60 27 members participate by means of remote communication under  
60 28 subsection 3, all of the following shall apply:

60 29 a. The cooperative shall implement reasonable measures to  
60 30 verify that each person deemed present and entitled to vote at  
60 31 the meeting by means of remote communication is a member.

60 32 b. The cooperative shall implement reasonable measures to  
60 33 provide each member participating by means of remote  
60 34 communication with a reasonable opportunity to participate in  
60 35 the meeting, including an opportunity to do all of the  
61 1 following:

61 2 (1) Read or hear the proceedings of the meeting  
61 3 substantially concurrently with those proceedings.

61 4 (2) If allowed by the procedures governing the meeting,  
61 5 have the member's remarks heard or read by other participants  
61 6 in the meeting substantially concurrently with the making of  
61 7 those remarks.

61 8 (3) If otherwise entitled, vote on matters submitted to  
61 9 the members.

61 10 5. NOTICE TO MEMBERS.

61 11 a. Any notice to members given by the cooperative under  
61 12 any provision of this chapter, the articles, or the bylaws by  
61 13 a form of electronic communication consented to by the member  
61 14 to whom the notice is given is effective when given. The  
61 15 notice is deemed given upon any of the following:

61 16 (1) If by facsimile communication, when directed to a  
61 17 telephone number at which the member has consented to receive  
61 18 notice.

61 19 (2) If by electronic mail, when directed to an electronic  
61 20 mail address at which the member has consented to receive  
61 21 notice.

61 22 (3) If by a posting on an electronic network on which the  
61 23 member has consented to receive notice, together with separate  
61 24 notice to the member of the specific posting, upon the later  
61 25 of any of the following:

61 26 (a) The posting.

61 27 (b) The giving of the separate notice.

61 28 (4) If by any other form of electronic communication by  
61 29 which the member has consented to receive notice, when  
61 30 directed to the member.

61 31 b. An affidavit of the secretary, other authorized  
61 32 officer, or authorized agent of the cooperative that the  
61 33 notice has been given by a form of electronic communication  
61 34 is, in the absence of fraud, prima facie evidence of the facts  
61 35 stated in the affidavit.

62 1 c. Consent by a member to notice given by electronic  
62 2 communication may be given in writing or by authenticated  
62 3 electronic communication. The cooperative is entitled to rely  
62 4 on any consent so given until revoked by the member, provided  
62 5 that no revocation affects the validity of any notice given  
62 6 before receipt by the cooperative of revocation of the  
62 7 consent.

62 8 6. REVOCATION. Any ballot, vote, authorization, or  
62 9 consent submitted by electronic communication under this  
62 10 chapter may be revoked by the member submitting the ballot,  
62 11 vote, authorization, or consent so long as the revocation is  
62 12 received by a director or the chief executive officer of the  
62 13 cooperative at or before the meeting or before an action  
62 14 without a meeting is effective.

62 15 7. WAIVER. Waiver of notice by a member of a meeting by  
62 16 means of authenticated electronic communication may be given  
62 17 in the manner provided for the regular or special meeting.  
62 18 Participation in a meeting by means of remote communication  
62 19 described in subsections 2 and 3 is a waiver of notice of that

62 20 meeting, except where the member objects at the beginning of  
62 21 the meeting to the transaction of business because the meeting  
62 22 is not lawfully called or convened, or objects before a vote  
62 23 on an item of business because the item cannot lawfully be  
62 24 considered at the meeting and does not participate in the  
62 25 consideration of the item at that meeting.

62 26 Sec. 57. NEW SECTION. 501A.808 ACT OF MEMBERS.

62 27 1. ACTION BY AFFIRMATIVE VOTE OF MEMBERS.

62 28 a. The members shall take action by the affirmative vote  
62 29 of the members of the greater of any of the following:

62 30 (1) A majority of the voting power of the membership  
62 31 interests present and entitled to vote on that item of  
62 32 business.

62 33 (2) A majority of the voting power that would constitute a  
62 34 quorum for the transaction of business at the meeting, except  
62 35 where this chapter, the articles or bylaws, or a member  
63 1 control agreement require a larger proportion.

63 2 b. If the articles, bylaws, or a member control agreement  
63 3 require a larger proportion than is required by this chapter  
63 4 for a particular action, the articles, bylaws, or the member  
63 5 control agreement shall have control over the provisions of  
63 6 this chapter.

63 7 2. CLASS OR SERIES OF MEMBERSHIP INTERESTS. In any case  
63 8 where a class or series of membership interests is entitled by  
63 9 this chapter, the articles, bylaws, a member control  
63 10 agreement, or the terms of the membership interests to vote as  
63 11 a class or series, the matter being voted upon must also  
63 12 receive the affirmative vote of the owners of the same  
63 13 proportion of the membership interests present of that class  
63 14 or series; or of the total outstanding membership interests of  
63 15 that class or series, as the proportion required under  
63 16 subsection 1, unless the articles, bylaws, or the member  
63 17 control agreement require a larger proportion. Unless  
63 18 otherwise stated in the articles, bylaws, or a member control  
63 19 agreement, in the case of voting as a class or series, the  
63 20 minimum percentage of the total voting power of membership  
63 21 interests of the class or series that must be present is equal  
63 22 to the minimum percentage of all membership interests entitled  
63 23 to vote required to be present under section 501A.707.

63 24 3. GREATER QUORUM OR VOTING REQUIREMENTS.

63 25 a. The articles or bylaws adopted by the members may  
63 26 provide for a greater quorum or voting requirement for members  
63 27 or voting groups than is provided for by this chapter.

63 28 b. An amendment to the articles or bylaws that adds,  
63 29 changes, or deletes a greater quorum or voting requirement  
63 30 shall meet the same quorum requirement and be adopted by the  
63 31 same vote and voting groups required to take action under the  
63 32 quorum and voting requirements then in effect or proposed to  
63 33 be adopted, whichever is greater.

63 34 Sec. 58. NEW SECTION. 501A.809 ACTION WITHOUT A MEETING.

63 35 1. METHOD. An action required or permitted to be taken at  
64 1 a meeting of the members may be taken by written action  
64 2 signed, or consented to by authenticated electronic  
64 3 communication, by all of the members. If the articles,  
64 4 bylaws, or a member control agreement so provide, any action  
64 5 may be taken by written action signed, or consented to by  
64 6 authenticated electronic communication, by the members who own  
64 7 voting power equal to the voting power that would be required  
64 8 to take the same action at a meeting of the members at which  
64 9 all members were present.

64 10 2. EFFECTIVE TIME. The written action is effective when  
64 11 signed or consented to by authenticated electronic  
64 12 communication by the required members, unless a different  
64 13 effective time is provided in the written action.

64 14 3. NOTICE AND LIABILITY. When written action is permitted  
64 15 to be taken by less than all members, all members must be  
64 16 notified immediately of its text and effective date. Failure  
64 17 to provide the notice does not invalidate the written action.  
64 18 A member who does not sign or consent to the written action  
64 19 has no liability for the action or actions taken by the  
64 20 written action.

64 21 Sec. 59. NEW SECTION. 501A.810 MEMBER VOTING RIGHTS.

64 22 1. MEMBER HAS ONE VOTE OR PATRONAGE VOTING. A patron  
64 23 member of a cooperative is only entitled to one vote on an  
64 24 issue to be voted upon by members holding patron membership  
64 25 interests. However, if authorized in the cooperative's  
64 26 articles or bylaws, a patron member may be entitled to  
64 27 additional votes based on patronage criteria in section  
64 28 501A.811. If nonpatron members are authorized by the patron  
64 29 members and granted voting rights on any matter voted on by  
64 30 the members of the cooperative, the entire patron members'

64 31 voting power shall be voted collectively based upon the vote  
64 32 of the majority of patron members voting on the issue and the  
64 33 collective vote of the patron members shall be a majority of  
64 34 the vote cast unless otherwise provided in the bylaws. The  
64 35 bylaws shall not reduce the collective patron member vote to  
65 1 less than fifteen percent of the total vote on matters of the  
65 2 cooperative. A nonpatron member has the voting rights in  
65 3 accordance to the nonpatron member's nonpatron membership  
65 4 interests as granted in the bylaws, subject to the provisions  
65 5 of this chapter.

65 6 2. RIGHT TO VOTE AT MEETING. A member or delegate may  
65 7 exercise voting rights on any matter that is before the  
65 8 members as prescribed in the articles or bylaws at a members'  
65 9 meeting from the time the member or delegate arrives at the  
65 10 members' meeting, unless the articles or bylaws specify an  
65 11 earlier and specific time for closing the right to vote.

65 12 3. VOTING METHOD. A member's vote at a members' meeting  
65 13 shall be in person or by mail if a mail vote is authorized by  
65 14 the board or by alternative method if authorized by the board  
65 15 and not by proxy, except as provided in subsection 4.

65 16 4. MEMBERS REPRESENTED BY DELEGATES.

65 17 a. The provisions of this subsection apply to members  
65 18 represented by delegates.

65 19 b. A cooperative may provide in the articles or bylaws  
65 20 that units or districts of members are entitled to be  
65 21 represented at members' meetings by delegates chosen by the  
65 22 members of the unit or district. The delegates may vote on  
65 23 matters at the members' meeting in the same manner as a  
65 24 member. The delegates may only exercise the voting rights on  
65 25 a basis and with the number of votes as prescribed in the  
65 26 articles or bylaws.

65 27 c. If the approval of a certain portion of the members is  
65 28 required for adoption of amendments, a dissolution, a merger,  
65 29 a consolidation, or a sale of assets, the votes of delegates  
65 30 shall be counted as votes by the members represented by the  
65 31 delegate.

65 32 d. Patron members may be represented by the proxy of other  
65 33 patron members.

65 34 e. Nonpatron members may be represented by proxy if  
65 35 authorized in the bylaws.

66 1 5. ABSENTEE BALLOTS.

66 2 a. The provisions of this subsection apply to absentee  
66 3 ballots.

66 4 b. A member who is or will be absent from a members'  
66 5 meeting may vote by mail or by an approved alternative method  
66 6 on the ballot prescribed in this subsection on any motion,  
66 7 resolution, or amendment that the board submits for vote by  
66 8 mail or alternative method to the members.

66 9 c. The ballot shall be in the form prescribed by the board  
66 10 and contain all of the following:

66 11 (1) The exact text of the proposed motion, resolution, or  
66 12 amendment to be acted on at the meeting.

66 13 (2) The text of the motion, resolution, or amendment for  
66 14 which the member may indicate an affirmative or negative vote.

66 15 d. The member shall express a choice by marking an  
66 16 appropriate choice on the ballot and mail, deliver, or  
66 17 otherwise submit the ballot to the cooperative in a plain,  
66 18 sealed envelope inside another envelope bearing the member's  
66 19 name or by an alternative method approved by the board.

66 20 e. A properly executed ballot shall be accepted by the  
66 21 board and counted as the vote of the absent member at the  
66 22 meeting.

66 23 Sec. 60. NEW SECTION. 501A.811 PATRON MEMBER VOTING  
66 24 BASED ON PATRONAGE.

66 25 1. PATRON MEMBERS TO HAVE AN ADDITIONAL VOTE. A  
66 26 cooperative may authorize by the articles or the bylaws for  
66 27 patron members to have an additional vote for all of the  
66 28 following:

66 29 a. A stipulated amount of business transacted between the  
66 30 patron member and cooperative.

66 31 b. A stipulated number of patron members in a member  
66 32 cooperative.

66 33 c. A certain stipulated amount of equity allocated to or  
66 34 held by a patron member in the cooperative's central  
66 35 organization.

67 1 d. A combination of methods provided in this subsection.

67 2 2. DELEGATES ELECTED BY PATRONS TO HAVE AN ADDITIONAL  
67 3 VOTE. A cooperative that is organized into units or districts  
67 4 of patron members may, by the articles or the bylaws,  
67 5 authorize the delegates elected by its patron members to have  
67 6 an additional vote for any of the following:

67 7 a. A stipulated amount of business transacted between the  
67 8 patron members in the units or districts and the cooperative.  
67 9 b. A certain stipulated amount of equity allocated to or  
67 10 held by the patron members of the units or districts of the  
67 11 cooperative.  
67 12 c. A combination of methods in this subsection.  
67 13 Sec. 61. NEW SECTION. 501A.812 VOTING RIGHTS.  
67 14 1. DETERMINATION. The board may fix a date not more than  
67 15 sixty days, or a shorter time period provided in the articles  
67 16 or bylaws, before the date of a meeting of members as the date  
67 17 for the determination of the owners of membership interests  
67 18 entitled to notice of and entitled to vote at the meeting.  
67 19 When a date is so fixed, only members on that date are  
67 20 entitled to notice of and permitted to vote at that meeting of  
67 21 members.  
67 22 2. VOTING POWER. Unless otherwise provided in the  
67 23 articles, bylaws, or a member control agreement, members have  
67 24 voting power as provided in section 501A.810.  
67 25 3. NONMEMBERS. The articles or bylaws may give or  
67 26 prescribe the manner of giving a creditor, security holder, or  
67 27 other person a right to vote on patron membership interests  
67 28 under this section.  
67 29 4. JOINTLY OWNED MEMBERSHIP INTERESTS. Membership  
67 30 interests owned by two or more members may be voted by any one  
67 31 of them unless the cooperative receives written notice from  
67 32 any one of them denying the authority of that person to vote  
67 33 those membership interests.  
67 34 5. MANNER OF VOTING AND PRESUMPTION. Except as provided  
67 35 in subsection 4, an owner of a nonpatron membership interest  
68 1 or a patron membership interest with more than one vote that  
68 2 is entitled to vote may vote any portion of the membership  
68 3 interest in any way the member chooses. If a member votes  
68 4 without designating the proportion voted in a particular way,  
68 5 the member is considered to have voted all of the membership  
68 6 interest in that way.  
68 7 Sec. 62. NEW SECTION. 501A.813 VOTING BY ORGANIZATIONS  
68 8 AND LEGAL REPRESENTATIVES.  
68 9 1. MEMBERSHIP INTERESTS HELD BY ANOTHER ORGANIZATION.  
68 10 Membership interests of a cooperative reflected in the  
68 11 required records as being owned by another domestic business  
68 12 entity or foreign business entity may be voted by the  
68 13 chairperson, chief executive officer, or another legal  
68 14 representative of that organization.  
68 15 2. MEMBERSHIP INTERESTS HELD BY SUBSIDIARY. Except as  
68 16 provided in subsection 3, membership interests of a  
68 17 cooperative reflected in the required records as being owned  
68 18 by a subsidiary are not entitled to be voted on any matter.  
68 19 3. MEMBERSHIP INTERESTS CONTROLLED IN A FIDUCIARY  
68 20 CAPACITY. Membership interests of a cooperative in the name  
68 21 of, or under the control of, the cooperative or a subsidiary  
68 22 in a fiduciary capacity are not entitled to be voted on any  
68 23 matter, except to the extent that the settler or beneficiary  
68 24 possesses and exercises a right to vote or gives the  
68 25 cooperative or, with respect to membership interests in the  
68 26 name of or under control of a subsidiary, the subsidiary,  
68 27 binding instructions on how to vote the membership interests.  
68 28 4. VOTING BY CERTAIN REPRESENTATIVES. Subject to section  
68 29 501A.810, membership interests under the control of a person  
68 30 in a capacity as a personal representative, an administrator,  
68 31 executor, guardian, conservator, or the like may be voted by  
68 32 the person, either in person or by proxy, without reflecting  
68 33 in the required records those membership interests in the name  
68 34 of the person.  
68 35 5. VOTING BY TRUSTEES IN BANKRUPTCY OR RECEIVER.  
69 1 Membership interests reflected in the required records in the  
69 2 name of a trustee in bankruptcy or a receiver may be voted by  
69 3 the trustee or receiver either in person or by proxy.  
69 4 Membership interests under the control of a trustee in  
69 5 bankruptcy or a receiver may be voted by the trustee or  
69 6 receiver without reflecting in the required records the name  
69 7 of the trustee or receiver, if authority to do so is contained  
69 8 in an appropriate order of the court by which the trustee or  
69 9 receiver was appointed. The right to vote of trustees in  
69 10 bankruptcy and receivers is subject to section 501A.810.  
69 11 6. MEMBERSHIP INTERESTS HELD BY OTHER ORGANIZATIONS.  
69 12 Membership interests reflected in the required records in the  
69 13 name of a business entity not described in subsections 1  
69 14 through 5 may be voted either in person or by proxy by the  
69 15 legal representative of that business entity.  
69 16 7. GRANT OF SECURITY INTEREST. The grant of a security  
69 17 interest in a membership interest does not entitle the holders

69 18 of the security interest to vote.  
69 19 Sec. 63. NEW SECTION. 501A.814 PROXIES.  
69 20 1. AUTHORIZATION.  
69 21 a. A patron member may only grant a proxy to vote to  
69 22 another patron member.  
69 23 b. A member may cast or authorize the casting of a vote by  
69 24 any of the following:  
69 25 (1) Filing a written appointment of a proxy with the board  
69 26 at or before the meeting at which the appointment is to be  
69 27 effective.  
69 28 (2) Telephonic transmission or authenticated electronic  
69 29 communication, whether or not accompanied by written  
69 30 instructions of the member, of an appointment of a proxy with  
69 31 the cooperative or the cooperative's duly authorized agent at  
69 32 or before the meeting at which the appointment is to be  
69 33 effective.  
69 34 c. The telephonic transmission or authenticated electronic  
69 35 communication must set forth or be submitted with information  
70 1 from which it can be determined that the appointment was  
70 2 authorized by the member. If it is reasonably concluded that  
70 3 the telephonic transmission or authenticated electronic  
70 4 communication is valid, the inspectors of election or, if  
70 5 there are not inspectors, the other persons making that  
70 6 determination shall specify the information upon which they  
70 7 relied to make that determination. A proxy so appointed may  
70 8 vote on behalf of the member, or otherwise participate, in a  
70 9 meeting by remote communication under section 501A.807, to the  
70 10 extent the member appointing the proxy would have been  
70 11 entitled to participate by remote communication if the member  
70 12 did not appoint the proxy.  
70 13 d. A copy, facsimile, telecommunication, or other  
70 14 reproduction of the original writing or transmission may be  
70 15 substituted or used in lieu of the original writing or  
70 16 transmission for any purpose for which the original  
70 17 transmission could be used, if the copy, facsimile,  
70 18 telecommunication, or other reproduction is a complete and  
70 19 legible reproduction of the entire original writing or  
70 20 transmission.  
70 21 e. An appointment of a proxy for membership interests  
70 22 owned jointly by two or more members is valid if signed or  
70 23 consented to by authenticated electronic communication, by any  
70 24 one of them, unless the cooperative receives from any one of  
70 25 those members written notice or an authenticated electronic  
70 26 communication either denying the authority of that person to  
70 27 appoint a proxy or appointing a different proxy.  
70 28 2. DURATION. The appointment of a proxy is valid for  
70 29 eleven months unless a longer period is expressly provided in  
70 30 the appointment. An appointment is not irrevocable unless the  
70 31 appointment is coupled with an interest in the membership  
70 32 interests or the cooperative.  
70 33 3. TERMINATION. An appointment may be terminated at will  
70 34 unless the appointment is coupled with an interest, in which  
70 35 case the appointment shall not be terminated except in  
71 1 accordance with the terms of an agreement, if any, between the  
71 2 parties to the appointment. Termination may be made by filing  
71 3 written notice of the termination of the appointment with a  
71 4 manager of the cooperative or by filing a new written  
71 5 appointment of a proxy with a manager of the cooperative.  
71 6 Termination in either manner revokes all prior proxy  
71 7 appointments and is effective when filed with a manager of the  
71 8 cooperative.  
71 9 4. REVOCATION BY DEATH OR INCAPACITY. The death or  
71 10 incapacity of a person appointing a proxy does not revoke the  
71 11 authority of the proxy, unless written notice of the death or  
71 12 incapacity is received by a manager of the cooperative before  
71 13 the proxy exercises the authority under that appointment.  
71 14 5. MULTIPLE PROXIES. Unless the appointment specifically  
71 15 provides otherwise, if two or more persons are appointed as  
71 16 proxies for a member, all of the following apply:  
71 17 a. Any one of them may vote the membership interests on  
71 18 each item of business in accordance with specific instructions  
71 19 contained in the appointment.  
71 20 b. If no specific instructions are contained in the  
71 21 appointment with respect to voting the membership interests on  
71 22 a particular item of business, the membership interests must  
71 23 be voted as a majority of the proxies determine. If the  
71 24 proxies are equally divided, the membership interests must not  
71 25 be voted.  
71 26 6. VOTE OF PROXY ACCEPTED AND LIABILITY. Unless the  
71 27 appointment of a proxy contains a restriction, limitation, or  
71 28 specific reservation of authority, the cooperative may accept

71 29 a vote or action taken by a person named in the appointment.  
71 30 The vote of a proxy is final, binding, and not subject to  
71 31 challenge, but the proxy is liable to the member for damages  
71 32 resulting from a failure to exercise the proxy or from an  
71 33 exercise of the proxy in violation of the authority granted in  
71 34 the appointment.

71 35 7. LIMITED AUTHORITY. If a proxy is given authority by a  
72 1 member to vote on less than all items of business considered  
72 2 at a meeting of members, the member is considered to be  
72 3 present and entitled to vote by the proxy only with respect to  
72 4 those items of business for which the proxy has authority to  
72 5 vote. A proxy who is given authority by a member who abstains  
72 6 with respect to an item of business is considered to have  
72 7 authority to vote on the item of business for purposes of this  
72 8 subsection.

72 9 Sec. 64. NEW SECTION. 501A.815 SALE OF PROPERTY AND  
72 10 ASSETS.

72 11 1. MEMBER APPROVAL NOT REQUIRED. A cooperative may, by  
72 12 affirmative vote of a majority of the board present, upon  
72 13 those terms and conditions and for those considerations, which  
72 14 may be money, securities, or other instruments for the payment  
72 15 of money or other property, as the board considers expedient  
72 16 and without member approval, do any of the following:

72 17 a. Sell, lease, transfer, or otherwise dispose of all or  
72 18 substantially all of its property and assets in the usual and  
72 19 regular course of its business.

72 20 b. Grant a security interest in all or substantially all  
72 21 of its property and assets whether or not in the usual and  
72 22 regular course of its business.

72 23 c. Transfer any or all of its property to a business  
72 24 entity all the ownership interests of which are owned by the  
72 25 cooperative.

72 26 d. For purposes of debt financing, transfer any or all of  
72 27 its property to a special purpose entity owned or controlled  
72 28 by the cooperative for an asset securitization.

72 29 2. MEMBER APPROVAL REQUIRED. Except as provided in  
72 30 subsection 1, a cooperative, by affirmative vote of a majority  
72 31 of the board present, may sell, lease, transfer, or otherwise  
72 32 dispose of all or substantially all of its property and  
72 33 assets, including its goodwill, not in the usual and regular  
72 34 course of its business, upon those terms and conditions and  
72 35 for those considerations, which may be money, securities, or  
73 1 other instruments for the payment of money or other property,  
73 2 as the board considers expedient, when approved at a regular  
73 3 or special meeting of the members by the affirmative vote of  
73 4 two-thirds of the voting power voting at the meeting. Ten  
73 5 days' written notice of the meeting must be given to all  
73 6 members whether or not they are entitled to vote at the  
73 7 meeting. The written notice must state that a purpose of the  
73 8 meeting is to consider the sale, lease, transfer, or other  
73 9 disposition of all or substantially all of the property and  
73 10 assets of the cooperative.

73 11 3. CONFIRMATORY DOCUMENTS. Confirmatory deeds,  
73 12 assignments, or similar instruments to evidence a sale, lease,  
73 13 transfer, or other disposition may be signed and delivered at  
73 14 any time in the name of the transferor by its current  
73 15 chairperson of the board or authorized agents.

73 16 4. LIABILITY OF TRANSFEREE. The transferee is liable for  
73 17 the debts, obligations, and liabilities of the transferor only  
73 18 to the extent provided in the contract or agreement between  
73 19 the transferee and the transferor or to the extent provided by  
73 20 law.

73 21 Sec. 65. NEW SECTION. 501A.816 VOTE OF OWNERSHIP  
73 22 INTERESTS HELD BY COOPERATIVE.

73 23 A cooperative that holds ownership interests of another  
73 24 business entity may, by direction of the cooperative's board,  
73 25 elect or appoint a person to represent the cooperative at a  
73 26 meeting of the business entity. The representative has  
73 27 authority to represent the cooperative and may cast the  
73 28 cooperative's vote at the business entity's meeting.

73 29 SUBCHAPTER 9  
73 30 MEMBERSHIP INTERESTS

73 31 Sec. 66. NEW SECTION. 501A.901 MEMBERSHIP INTERESTS.

73 32 1. PATRON MEMBERSHIP INTERESTS. Patron membership  
73 33 interests shall be the only membership interest of a  
73 34 cooperative unless nonpatron memberships are authorized under  
73 35 subsection 2. If nonpatron interests are authorized, the  
74 1 patron membership interests collectively shall have not less  
74 2 than fifty percent of the cooperative's financial rights to  
74 3 profit allocations and distributions. However, the  
74 4 cooperative's articles or bylaws may be amended by the



74 5 affirmative vote of patron members to allow the cooperative's  
74 6 financial rights to profit allocations and distributions to  
74 7 patron members collectively to be a lesser amount but in no  
74 8 case less than fifteen percent.

74 9 2. NONPATRONAGE MEMBERSHIP INTERESTS.

74 10 a. In order for a cooperative to have nonpatron membership  
74 11 interests, the patron members must approve articles or bylaw  
74 12 provisions authorizing the terms and conditions of the  
74 13 nonpatron membership interests, which may include authorizing  
74 14 the board to determine the terms and conditions of the  
74 15 nonpatron membership interests.

74 16 b. If nonpatron membership interests are authorized, the  
74 17 cooperative may solicit and issue nonpatron membership  
74 18 interests on terms and conditions determined by the board and  
74 19 disclosed in the articles, bylaws, or by separate disclosure  
74 20 to the members. Each member acquiring nonpatron membership  
74 21 interests shall sign a member control agreement or otherwise  
74 22 agree to the conditions of the bylaws. The control agreement  
74 23 or the bylaws shall describe the rights and obligations of the  
74 24 member as it relates to the nonpatron membership interests,  
74 25 the financial and governance rights, the transferability of  
74 26 the nonpatron membership interests, the division and  
74 27 allocation of profits and losses among the membership  
74 28 interests and membership classes, and financial rights upon  
74 29 liquidation. If the articles or bylaws do not otherwise  
74 30 provide for the allocation of the profits and losses between  
74 31 patron membership interests and nonpatron membership  
74 32 interests, then the allocation of profits and losses among  
74 33 nonpatron membership interests individually and patron  
74 34 membership interests collectively shall be allocated on the  
74 35 basis of the value of contributions to capital made according  
75 1 to the patron membership interests collectively and the  
75 2 nonpatron memberships interests individually to the extent the  
75 3 contributions have been accepted by the cooperative.  
75 4 Distributions of cash or other assets of the cooperative shall  
75 5 be allocated among the membership interests as provided in the  
75 6 articles or bylaws, subject to the provisions of this chapter.  
75 7 If not otherwise provided in the articles or bylaws,  
75 8 distributions shall be made on the basis of value of the  
75 9 capital contributions of the patron membership interests  
75 10 collectively and the nonpatron membership interests to the  
75 11 extent the contributions have been accepted by the  
75 12 cooperative.

75 13 3. AMOUNTS AND DIVISIONS OF MEMBERSHIP INTERESTS. The  
75 14 authorized amount and divisions of patron membership interests  
75 15 and, if authorized by the patron members, nonpatron membership  
75 16 interest, may be increased, decreased, established, or altered  
75 17 in accordance with the restrictions in this chapter by  
75 18 amending the articles or bylaws at a regular members' meeting  
75 19 or at a special members' meeting called for the purpose of the  
75 20 amendment.

75 21 4. ISSUANCE OF MEMBERSHIP INTERESTS. Authorized  
75 22 membership interests may be issued on terms and conditions  
75 23 prescribed in the articles, bylaws, or if authorized in the  
75 24 articles or bylaws as determined by the board. The  
75 25 cooperative shall disclose to any person acquiring membership  
75 26 interests to be issued by the cooperative, the organization,  
75 27 capital structure, and known business prospects and risks of  
75 28 the cooperative, the nature of the governance and financial  
75 29 rights of the membership interest being acquired and of other  
75 30 classes of membership and membership interests. The  
75 31 cooperative shall notify all members of the membership  
75 32 interests being issued by the cooperative. A membership  
75 33 interest shall not be issued until subscription price of the  
75 34 membership interest has been paid for in money or property  
75 35 with the value of the property to be contributed approved by  
76 1 the board.

76 2 5. TRANSFERRING OR SELLING MEMBERSHIP INTERESTS. After  
76 3 issuance by the cooperative, membership interests in a  
76 4 cooperative may only be sold or transferred with the approval  
76 5 of the board. The board may adopt resolutions prescribing  
76 6 procedures to prospectively approve transfers.

76 7 6. COOPERATIVE FIRST RIGHT TO PURCHASE MEMBERSHIP  
76 8 INTERESTS. The articles or bylaws may provide that the  
76 9 cooperative or the patron members, individually or  
76 10 collectively, have the first privilege of purchasing the  
76 11 membership interests of any class of membership interests  
76 12 offered for sale. The first privilege to purchase membership  
76 13 interests may be satisfied by notice to other members that the  
76 14 membership interests are for sale and a procedure by which  
76 15 members may proceed to attempt to purchase and acquire the

76 16 membership interests.

76 17 7. PAYMENT FOR DISSENTING MEMBERSHIP INTERESTS.

76 18 a. Subject to the provisions in the articles and bylaws, a  
76 19 member may dissent from and obtain payment for the fair value  
76 20 of the member's membership interests in the cooperative if all  
76 21 of the following apply:

76 22 (1) The majority of the cooperative's member voting power  
76 23 is held by different classes of interests.

76 24 (2) The articles or bylaws are amended or the cooperative  
76 25 is merged or otherwise combined with another entity in a  
76 26 manner that materially and adversely affects the rights and  
76 27 preferences of the membership interests of the dissenting  
76 28 member.

76 29 b. The dissenting member shall file a notice of intent to  
76 30 demand fair value of the membership interest with the records  
76 31 officer of the cooperative within thirty days after the  
76 32 amendment of the bylaws and notice of the amendment to  
76 33 members; otherwise, the right of the dissenting member to  
76 34 demand payment of fair value for the membership interest is  
76 35 waived. If a proposed amendment of the articles or bylaws  
77 1 must be approved by the members, a member who is entitled to  
77 2 dissent and who wishes to exercise dissenter's rights shall  
77 3 file a notice to demand fair value of the membership interest  
77 4 with the records officer of the cooperative; otherwise, the  
77 5 right to demand fair value for the membership interest by the  
77 6 dissenting member is waived. After receipt of the dissenting  
77 7 member's demand notice and approval of the amendment, the  
77 8 cooperative has sixty days to rescind the amendment, or  
77 9 otherwise the cooperative shall remit the fair value for the  
77 10 member's interest to the dissenting member by one hundred  
77 11 eighty days after receipt of the notice. Upon receipt of the  
77 12 fair value for the membership interest, the member has no  
77 13 further member rights in the cooperative.

77 14 Sec. 67. NEW SECTION. 501A.902 ASSIGNMENT OF FINANCIAL  
77 15 RIGHTS.

77 16 1. ASSIGNMENT OF FINANCIAL RIGHTS PERMITTED. Except as  
77 17 provided in subsection 3, a member's financial rights are  
77 18 transferable in whole or in part.

77 19 2. EFFECT OF ASSIGNMENT OF FINANCIAL RIGHTS. An  
77 20 assignment of a member's financial rights entitles the  
77 21 assignee to receive, to the extent assigned, only the share of  
77 22 profits and losses and the distributions to which the assignor  
77 23 would otherwise be entitled. An assignment of a member's  
77 24 financial rights does not dissolve the cooperative and does  
77 25 not entitle or empower the assignee to become a member, to  
77 26 exercise any governance rights, to receive any notices from  
77 27 the cooperative, or to cause dissolution. The assignment  
77 28 shall not allow the assignee to control the member's exercise  
77 29 of governance or voting rights.

77 30 3. RESTRICTIONS OF ASSIGNMENT OF FINANCIAL RIGHTS.

77 31 a. A restriction on the assignment of financial rights may  
77 32 be imposed in the articles, in the bylaws, in a member control  
77 33 agreement, by a resolution adopted by the members, by an  
77 34 agreement among or other written action by the members, or by  
77 35 an agreement among or other written action by the members and  
78 1 the cooperative. A restriction is not binding with respect to  
78 2 financial rights reflected in the required records before the  
78 3 adoption of the restriction, unless the owners of those  
78 4 financial rights are parties to the agreement or voted in  
78 5 favor of the restriction.

78 6 b. Subject to paragraph "c", a written restriction on the  
78 7 assignment of financial rights that is not manifestly  
78 8 unreasonable under the circumstances and is noted  
78 9 conspicuously in the required records may be enforced against  
78 10 the owner of the restricted financial rights or a successor or  
78 11 transferee of the owner, including a pledgee or a legal  
78 12 representative. Unless noted conspicuously in the required  
78 13 records, a restriction, even though permitted by this section,  
78 14 is ineffective against a person without knowledge of the  
78 15 restriction.

78 16 c. With regard to restrictions on the assignment of  
78 17 financial rights, a would-be assignee of financial rights is  
78 18 entitled to rely on a statement of membership interest issued  
78 19 by the cooperative under section 501A.903. A restriction on  
78 20 the assignment of financial rights, which is otherwise valid  
78 21 and in effect at the time of the issuance of a statement of  
78 22 membership interest but which is not reflected in that  
78 23 statement, is ineffective against an assignee who takes an  
78 24 assignment in reliance on the statement.

78 25 d. Notwithstanding any provision of law, articles, bylaws,  
78 26 member control agreement, other agreement, resolution, or

78 27 action to the contrary, a security interest in a member's  
78 28 financial rights may be foreclosed and otherwise enforced, and  
78 29 a secured party may assign a member's financial rights in  
78 30 accordance with the uniform commercial code, chapter 554,  
78 31 without the consent or approval of the member whose financial  
78 32 rights are subject to the security interest.

78 33 Sec. 68. NEW SECTION. 501A.903 NATURE OF A MEMBERSHIP  
78 34 INTEREST AND STATEMENT OF INTEREST OWNED.

78 35 1. GENERALLY. A membership interest is personal property.  
79 1 A member has no interest in specific cooperative property.  
79 2 All property of the cooperative is property of the  
79 3 cooperative.

79 4 2. STATEMENT OF MEMBERSHIP INTEREST. At the request of  
79 5 any member, the cooperative shall state in writing the  
79 6 particular membership interest owned by that member as of the  
79 7 date the cooperative makes the statement. The statement must  
79 8 describe the member's rights to vote, if any, to share in  
79 9 profits and losses, and to share in distributions,  
79 10 restrictions on assignments of financial rights under section  
79 11 501A.902, subsection 3, or voting rights under section  
79 12 501A.810 then in effect, as well as any assignment of the  
79 13 member's rights then in effect other than a security interest.

79 14 3. TERMS OF MEMBERSHIP INTERESTS. All the membership  
79 15 interests of a cooperative are subject to all of the  
79 16 following:

79 17 a. Membership interests shall be of one class, without  
79 18 series, unless the articles or bylaws establish or authorize  
79 19 the board to establish more than one class or series within  
79 20 classes.

79 21 b. Ordinary patron membership interests and, if  
79 22 authorized, nonpatron membership interest subject to this  
79 23 chapter are entitled to vote as provided in section 501A.810,  
79 24 and have equal rights and preferences in all matters not  
79 25 otherwise provided for by the board and to the extent that the  
79 26 articles or bylaws have fixed the relative rights and  
79 27 preferences of different classes and series.

79 28 c. Membership interests share profits and losses and are  
79 29 entitled to distributions as provided in sections 501A.1005  
79 30 and 501A.1006.

79 31 4. RIGHTS OF JUDGMENT CREDITOR. On application to a court  
79 32 of competent jurisdiction by any judgment creditor of a  
79 33 member, the court may charge a member's or an assignee's  
79 34 financial rights with payment of the unsatisfied amount of the  
79 35 judgment with interest. To the extent so charged, the  
80 1 judgment creditor has only the rights of an assignee of a  
80 2 member's financial rights under section 501A.902. This  
80 3 chapter does not deprive any member or assignee of financial  
80 4 rights of the benefit of any exemption laws applicable to the  
80 5 membership interest. This section is the sole and exclusive  
80 6 remedy of a judgment creditor with respect to the judgment  
80 7 debtor's membership interest.

80 8 5. a. Subject to any restrictions in the articles or  
80 9 bylaws, the power granted in this subsection may be exercised  
80 10 by a resolution or resolutions establishing a class or series,  
80 11 setting forth the designation of the class or series, and  
80 12 fixing the relative rights and preferences of the class or  
80 13 series. Any of the rights and preferences of a class or  
80 14 series established in the articles, bylaws, or by resolution  
80 15 of the board may do any of the following:

80 16 (1) Be made dependent upon facts ascertainable outside the  
80 17 articles or bylaws or outside the resolution or resolutions  
80 18 establishing the class or series, if the manner in which the  
80 19 facts operate upon the rights and preferences of the class or  
80 20 series is clearly and expressly set forth in the articles or  
80 21 bylaws or in the resolution or resolutions establishing the  
80 22 class or series.

80 23 (2) Include by reference some or all of the terms of any  
80 24 agreements, contracts, or other arrangements entered into by  
80 25 the cooperative in connection with the establishment of the  
80 26 class or series if the cooperative retains at its principal  
80 27 executive office a copy of the agreements, contracts, or other  
80 28 arrangements or the portions will be included by reference.

80 29 b. A statement setting forth the name of the cooperative  
80 30 and the text of the resolution and certifying the adoption of  
80 31 the resolution and the date of adoption must be given to the  
80 32 members before the acceptance of any contributions for which  
80 33 the resolution creates rights or preferences not set forth in  
80 34 the articles or bylaws. Where the members have received  
80 35 notice of the creation of membership interests with rights or  
81 1 preferences not set forth in the articles or bylaws before the  
81 2 acceptance of the contributions with respect to the membership

81 3 interests, the statement may be filed anytime within one year  
81 4 after the acceptance of the contributions. The resolution is  
81 5 effective three days after delivery to the members is deemed  
81 6 effective by the board, or, if the statement is not required  
81 7 to be given to the members before the acceptance of  
81 8 contributions, on the date of its adoption by the directors.  
81 9 6. SPECIFIC TERMS. Without limiting the authority granted  
81 10 in this section, in regulating the membership interests of a  
81 11 class or series, a cooperative may do any of the following:  
81 12 a. Subject to the right of the cooperative to redeem any  
81 13 of those membership interests at the price fixed for their  
81 14 redemption by the articles or bylaws or by the board.  
81 15 b. Entitle the members to receive cumulative, partially  
81 16 cumulative, or noncumulative distributions.  
81 17 c. Provide a preference over any class or series of  
81 18 membership interests for the payment of distributions of any  
81 19 or all kinds.  
81 20 d. Convert into membership interests of any other class or  
81 21 any series of the same or another class.  
81 22 e. Provide full, partial, or no voting rights, except as  
81 23 provided in section 501A.810.  
81 24 7. GRANT OF A SECURITY INTEREST. For the purpose of any  
81 25 law relating to security interests, membership interests,  
81 26 governance or voting rights, and financial rights are each to  
81 27 be characterized as provided in section 554.8103, subsection  
81 28 3.  
81 29 8. POWERS OF ESTATE OF A DECEASED OR INCOMPETENT MEMBER.  
81 30 a. If a member who is an individual dies or a court of  
81 31 competent jurisdiction adjudges the member to be incompetent  
81 32 to manage the member's person or property, or an order for  
81 33 relief under the bankruptcy code is entered with respect to  
81 34 the member, the member's executor, administrator, guardian,  
81 35 conservator, trustee, or other legal representative may  
82 1 exercise all of the member's rights for the purpose of  
82 2 settling the estate or administering the member's property.  
82 3 If a member is a business entity, trust, or other entity and  
82 4 is dissolved, terminated, or placed by a court in receivership  
82 5 or bankruptcy, the powers of that member may be exercised by  
82 6 its legal representative or successor.  
82 7 b. If an event referred to in paragraph "a" causes the  
82 8 termination of a member's membership interest and the  
82 9 termination does not result in dissolution, then, subject to  
82 10 the articles and bylaws, all of the following apply:  
82 11 (1) As provided in section 501A.902, the terminated  
82 12 member's interest will be considered to be merely that of an  
82 13 assignee of the financial rights owned before the termination  
82 14 of membership.  
82 15 (2) The rights to be exercised by the legal representative  
82 16 of the terminated member shall be limited accordingly.  
82 17 9. LIABILITY OF SUBSCRIBERS AND MEMBERS WITH RESPECT TO  
82 18 MEMBERSHIP INTERESTS. A person who subscribes to or owns a  
82 19 membership interest in a cooperative is under no obligation to  
82 20 the cooperative or its creditors with respect to the  
82 21 membership interests subscribed for or owned, except to pay to  
82 22 the cooperative the full consideration for which the  
82 23 membership interests are issued or to be issued.  
82 24 Sec. 69. NEW SECTION. 501A.904 CERTIFICATED MEMBERSHIP  
82 25 INTERESTS.  
82 26 1. CERTIFICATED == UNCERTIFICATED. The membership  
82 27 interests of a cooperative shall be either certificated or  
82 28 uncertificated. Each holder of certificated membership  
82 29 interests issued is entitled to a certificate of membership  
82 30 interest.  
82 31 2. SIGNATURE REQUIRED. Certificates shall be signed by an  
82 32 agent or officer authorized in the articles or bylaws to sign  
82 33 share certificates or, in the absence of an authorization, by  
82 34 the chairperson or records officer of the cooperative.  
82 35 3. SIGNATURE VALID. If a person signs or has a facsimile  
83 1 signature placed upon a certificate while the chairperson, an  
83 2 officer, transfer agent, or records officer of a cooperative,  
83 3 the certificate may be issued by the cooperative, even if the  
83 4 person has ceased to have that capacity before the certificate  
83 5 is issued, with the same effect as if the person had that  
83 6 capacity at the date of its issue.  
83 7 4. FORM OF CERTIFICATE. A certificate representing  
83 8 membership interests of a cooperative shall contain on its  
83 9 face all of the following:  
83 10 a. The name of the cooperative.  
83 11 b. A statement that the cooperative is organized under the  
83 12 laws of this state and this chapter.  
83 13 c. The name of the person to whom the certificate is

83 14 issued.

83 15 d. The number and class of membership interests, and the  
83 16 designation of the series, if any, that the certificate  
83 17 represents.

83 18 e. A statement that the membership interests in the  
83 19 cooperative are subject to the articles and bylaws of the  
83 20 cooperative.

83 21 f. Any restrictions on transfer, including approval of the  
83 22 board, if applicable, first rights of purchase by the  
83 23 cooperative, and other restrictions on transfer, which may be  
83 24 stated by reference to the back of the certificate or to  
83 25 another document.

83 26 5. LIMITATIONS SET FORTH. A certificate representing  
83 27 membership interests issued by a cooperative authorized to  
83 28 issue membership interests of more than one class or series  
83 29 shall set forth upon the face or back of the certificate, or  
83 30 shall state that the cooperative will furnish to any member  
83 31 upon request and without charge, a full statement of the  
83 32 designations, preferences, limitations, and relative rights of  
83 33 the membership interests of each class or series authorized to  
83 34 be issued, so far as they have been determined, and the  
83 35 authority of the board to determine the relative rights and  
84 1 preferences of subsequent classes or series.

84 2 6. PRIMA FACIE EVIDENCE. A certificate signed as provided  
84 3 in subsection 2 is prima facie evidence of the ownership of  
84 4 the membership interests referred to in the certificate.

84 5 7. UNCERTIFICATED MEMBERSHIP INTERESTS. Unless  
84 6 uncertificated membership interests are prohibited by the  
84 7 articles or bylaws, a resolution approved by the affirmative  
84 8 vote of a majority of the directors present may provide that  
84 9 some or all of any or all classes and series of its membership  
84 10 interests will be uncertificated membership interests.

84 11 The resolution does not apply to membership interests  
84 12 represented by a certificate until the certificate is  
84 13 surrendered to the cooperative. Within a reasonable time  
84 14 after the issuance or transfer of uncertificated membership  
84 15 interests, the cooperative shall send to the new member the  
84 16 information required by this section to be stated on  
84 17 certificates. This information is not required to be sent to  
84 18 the new holder by a publicly held cooperative that has adopted  
84 19 a system of issuance, recordation, and transfer of its  
84 20 membership interests by electronic or other means not  
84 21 involving an issuance of certificates if the system complies  
84 22 with section 17A of the Securities Exchange Act of 1934, 15  
84 23 U.S.C. } 78a et seq. Except as otherwise expressly provided  
84 24 by statute, the rights and obligations of the holders of  
84 25 certificated and uncertificated membership interests of the  
84 26 same class and series are identical.

84 27 Sec. 70. NEW SECTION. 501A.905 LOST CERTIFICATES ==  
84 28 REPLACEMENT.

84 29 1. ISSUANCE. A new membership interest certificate may be  
84 30 issued under section 554.8405 in place of one that is alleged  
84 31 to have been lost, stolen, or destroyed.

84 32 2. NOT OVERISSUE. The issuance of a new certificate under  
84 33 this section does not constitute an overissue of the  
84 34 membership interests the new certificate represents.

84 35 Sec. 71. NEW SECTION. 501A.906 RESTRICTION ON TRANSFER  
85 1 OR REGISTRATION OF MEMBERSHIP INTERESTS.

85 2 1. HOW IMPOSED. A restriction on the transfer or  
85 3 registration of transfer of membership interests of a  
85 4 cooperative may be imposed in the articles, in the bylaws, by  
85 5 a resolution adopted by the members, or by an agreement among  
85 6 or other written action by a number of members or holders of  
85 7 other membership interests or among them and the cooperative.  
85 8 A restriction is not binding with respect to membership  
85 9 interests issued prior to the adoption of the restriction,  
85 10 unless the holders of those membership interests are parties  
85 11 to the agreement or voted in favor of the restriction.

85 12 2. RESTRICTIONS PERMITTED. A written restriction on the  
85 13 transfer or registration of transfer of membership interests  
85 14 of a cooperative that is not manifestly unreasonable under the  
85 15 circumstances may be enforced against the holder of the  
85 16 restricted membership interests or a successor or transferee  
85 17 of the holder, including a pledgee or a legal representative,  
85 18 if the restriction is any of the following:

85 19 a. Noted conspicuously on the face or back of the  
85 20 certificate.

85 21 b. Included in this chapter or the articles or bylaws.

85 22 c. Included in information sent to the holders of

85 23 uncertificated membership interests.

85 24 Unless otherwise restricted by this chapter, the articles,

85 25 bylaws, noted conspicuously on the face or back of the  
85 26 certificate, or included in information sent to the holders of  
85 27 uncertificated membership interests, a restriction, even  
85 28 though permitted by this section, is ineffective against a  
85 29 person without knowledge of the restriction. A restriction  
85 30 under this section is deemed to be noted conspicuously and is  
85 31 effective if the existence of the restriction is stated on the  
85 32 certificate and reference is made to a separate document  
85 33 creating or describing the restriction.

#### 85 34 SUBCHAPTER 10

### 85 35 CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS

86 1 Sec. 72. NEW SECTION. 501A.1001 AUTHORIZATION, FORM, AND  
86 2 ACCEPTANCE OF CONTRIBUTIONS.

86 3 1. Subject to any restrictions in this chapter regarding  
86 4 patron and nonpatron membership interests or in the articles  
86 5 or bylaws, and only when authorized by the board, a  
86 6 cooperative may accept contributions, which may be patron or  
86 7 nonpatron membership contributions as determined by the board  
86 8 under subsections 2 and 3, make contribution agreements under  
86 9 section 501A.1003, and make contribution rights agreements  
86 10 under section 501A.1004.

86 11 2. PERMISSIBLE FORMS. A person may make a contribution to  
86 12 a cooperative by any of following:

86 13 a. Paying money or transferring the ownership of an  
86 14 interest in property to the cooperative or rendering services  
86 15 to or for the benefit of the cooperative.

86 16 b. Executing a written obligation signed by the person to  
86 17 pay money or transfer ownership of an interest in property to  
86 18 the cooperative or to perform services to or for the benefit  
86 19 of the cooperative.

86 20 3. A purported contribution shall not be treated or  
86 21 considered as a contribution, unless all of the following  
86 22 apply:

86 23 a. The board accepts the contribution on behalf of the  
86 24 cooperative and in that acceptance describes the contribution,  
86 25 including terms of future performance, if any, and states the  
86 26 value being accorded to the contribution.

86 27 b. The fact of contribution and the contribution's  
86 28 accorded value are both reflected in the required records of  
86 29 the cooperative.

86 30 4. The determinations of the board as to the amount or  
86 31 fair value or the fairness to the cooperative of the  
86 32 contribution accepted or to be accepted by the cooperative or  
86 33 the terms of payment or performance, including under a  
86 34 contribution rights in section 501A.1003, and a contribution  
86 35 rights agreement in section 501A.1004, are presumed to be  
87 1 proper if they are made in good faith and on the basis of  
87 2 accounting methods, or a fair valuation or other method,  
87 3 reasonable in the circumstances. Directors who are present  
87 4 and entitled to vote, and who, intentionally or without  
87 5 reasonable investigation, fail to vote against approving a  
87 6 consideration that is unfair to the cooperative, or overvalue  
87 7 property or services received or to be received by the  
87 8 cooperative as a contribution, are jointly and severally  
87 9 liable to the cooperative for the benefit of the then members  
87 10 who did not consent to and are damaged by the action to the  
87 11 extent of the damages of those members. A director against  
87 12 whom a claim is asserted under this subsection, except in case  
87 13 of knowing participation in a deliberate fraud, is entitled to  
87 14 contribution on an equitable basis from other directors who  
87 15 are liable under this subsection.

87 16 Sec. 73. NEW SECTION. 501A.1002 RESTATEMENT OF VALUE OF  
87 17 PREVIOUS CONTRIBUTIONS.

87 18 1. DEFINITION. As used in this section, an "old  
87 19 contribution" is a contribution reflected in the required  
87 20 records of a cooperative before the time the cooperative  
87 21 accepts a new contribution.

87 22 2. RESTATEMENT REQUIRED. Whenever a cooperative accepts a  
87 23 new contribution, the board shall restate, as required by this  
87 24 section, the value of all old contributions.

87 25 3. RESTATEMENT AS TO PARTICULAR SERIES OR CLASS TO WHICH  
87 26 NEW CONTRIBUTION PERTAINS.

87 27 a. Unless otherwise provided in a cooperative's articles  
87 28 or bylaws, this subsection sets forth the method of restating  
87 29 the value of old contributions that pertain to the same series  
87 30 or class to which the new contribution pertains. In restating  
87 31 the value, the cooperative shall do all of the following:

87 32 (1) State the value the cooperative has accorded to the  
87 33 new contribution under section 504A.1001, subsection 3,  
87 34 paragraph "a".

87 35 (2) Determine what percentage the value stated under

88 1 subparagraph (1) will constitute, after the restatement  
88 2 required by this subsection, of the total value of all  
88 3 contributions that pertain to the particular series or class  
88 4 to which the new contribution pertains.

88 5 (3) Divide the value stated under subparagraph (1) by the  
88 6 percentage determined under subparagraph (2), yielding the  
88 7 total value, after the restatement required by this  
88 8 subsection, of all contributions pertaining to the particular  
88 9 series or class.

88 10 (4) Subtract the value stated under subparagraph (1) from  
88 11 the value determined under subparagraph (3), yielding the  
88 12 total value, after the restatement required by this  
88 13 subsection, of all the old contributions pertaining to the  
88 14 particular series or class.

88 15 (5) Subtract the value, as reflected in the required  
88 16 records before the restatement required by this subsection, of  
88 17 the old contributions from the value determined under  
88 18 subparagraph (4), yielding the value to be allocated among and  
88 19 added to the old contributions pertaining to the particular  
88 20 series or class.

88 21 (6) Allocate the value determined under subparagraph (5)  
88 22 proportionally among the old contributions pertaining to the  
88 23 particular series or class, add the allocated values to those  
88 24 old contributions, and change the required records  
88 25 accordingly.

88 26 b. The values determined under paragraph "a", subparagraph  
88 27 (5), and allocated and added under paragraph "a", subparagraph  
88 28 (6), may be positive, negative, or zero.

88 29 4. RESTATEMENT METHOD FOR OTHER SERIES OR CLASS. Unless  
88 30 otherwise provided in a cooperative's articles or bylaws, this  
88 31 subsection sets forth the method of restating the value of old  
88 32 contributions that do not pertain to the same series or class  
88 33 to which the new contribution pertains. In restating the  
88 34 value, the cooperative shall do all of the following:

88 35 a. Determine the percentage by which the restatement under  
89 1 subsection 3 has changed the total contribution value  
89 2 reflected in the required records for the series or class to  
89 3 which the new contribution pertains.

89 4 b. As to each old contribution that does not pertain to  
89 5 the same series or class to which the new contribution  
89 6 pertains, change the value reflected in the required records  
89 7 by the percentage determined under paragraph "a". The  
89 8 percentage determined under paragraph "a" may be positive,  
89 9 negative, or zero.

89 10 5. NEW CONTRIBUTIONS MAY BE AGGREGATED. If a cooperative  
89 11 accepts more than one contribution pertaining to the same  
89 12 series or class at the same time, then for the purpose of the  
89 13 restatement required by this section, the cooperative may  
89 14 consider all the new contributions a single contribution.

89 15 Sec. 74. NEW SECTION. 501A.1003 CONTRIBUTION AGREEMENTS.

89 16 1. SIGNED WRITING. A contribution agreement, whether made  
89 17 before or after the formation of the cooperative, is not  
89 18 enforceable against the would-be contributor unless it is in  
89 19 writing and signed by the would-be contributor.

89 20 2. IRREVOCABLE PERIOD. Unless otherwise provided in the  
89 21 contribution agreement, or unless all of the would-be  
89 22 contributors and, if in existence, the cooperative, consent to  
89 23 a shorter or longer period, a contribution agreement is  
89 24 irrevocable for a period of six months.

89 25 3. CURRENT AND DEFERRED PAYMENT. A contribution  
89 26 agreement, whether made before or after the formation of a  
89 27 cooperative, must be paid or performed in full at the time or  
89 28 times, or in the installments, if any, specified in the  
89 29 contribution agreement. In the absence of a provision in the  
89 30 contribution agreement specifying the time at which the  
89 31 contribution is to be paid or performed, the contribution must  
89 32 be paid or performed at the time or times determined by the  
89 33 board. However, a call made by the board for payment or  
89 34 performance on contributions must be uniform for all  
89 35 membership interests of the same class or for all membership  
90 1 interests of the same series.

90 2 4. FAILURE TO PAY REMEDIES.

90 3 a. Unless otherwise provided in the contribution  
90 4 agreement, in the event of default in the payment or  
90 5 performance of an installment or call when due, the  
90 6 cooperative may proceed to collect the amount due in the same  
90 7 manner as a debt due the cooperative. If a would-be  
90 8 contributor does not make a required contribution of property  
90 9 or services, the cooperative shall require the would-be  
90 10 contributor to contribute cash equal to that portion of the  
90 11 value, as stated in the cooperative's required records, of the

90 12 contribution that has not been made.

90 13 b. If the amount due under a contribution agreement  
90 14 remains unpaid for a period of twenty days after written  
90 15 notice of demand for payment has been given to the delinquent  
90 16 would-be contributor, the membership interests that were  
90 17 subject to the contribution agreement may be offered for sale  
90 18 by the cooperative for a price in money equaling or exceeding  
90 19 the sum of the full balance owed by the delinquent would-be  
90 20 contributor plus the expenses incidental to the sale.

90 21 If the membership interests that were subject to the  
90 22 contribution agreement are sold according to this paragraph  
90 23 "b", the cooperative shall pay to the delinquent would-be  
90 24 contributor or to the delinquent would-be contributor's legal  
90 25 representative the lesser of one of the following:

90 26 (1) The excess of net proceeds realized by the cooperative  
90 27 over the sum of the amount owed by the delinquent would-be  
90 28 contributor plus the expenses incidental to the sale, less any  
90 29 penalty stated in the contribution agreement, which may  
90 30 include forfeiture of the partial contribution.

90 31 (2) The amount actually paid by the delinquent would-be  
90 32 contributor.

90 33 If the membership interests that were subject to the  
90 34 contribution agreement are not sold according to this  
90 35 paragraph "b", the cooperative may collect the amount due in  
91 1 the same manner as a debt due the cooperative or cancel the  
91 2 contribution agreement according to paragraph "c".

91 3 c. If the amount due under a contribution agreement  
91 4 remains unpaid for a period of twenty days after written  
91 5 notice of demand for payment has been given to the delinquent  
91 6 would-be contributor and the membership interests that were  
91 7 subject to the defaulted contribution agreement have not been  
91 8 sold according to paragraph "b", the cooperative may cancel  
91 9 the contribution agreement. In addition, the cooperative may  
91 10 retain any portion of the contribution agreement price  
91 11 actually paid as provided in the contribution agreement. The  
91 12 cooperative shall refund to the delinquent would-be  
91 13 contributor or the delinquent would-be contributor's legal  
91 14 representatives any portion of the contribution agreement  
91 15 price as provided in the contribution agreement.

91 16 5. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided  
91 17 in the articles or bylaws, a would-be contributor's rights  
91 18 under a contribution agreement shall not be assigned, in whole  
91 19 or in part, to a person who was not a member at the time of  
91 20 the assignment, unless all the members approve the assignment  
91 21 by unanimous written consent.

91 22 Sec. 75. NEW SECTION. 501A.1004 CONTRIBUTION RIGHTS  
91 23 AGREEMENTS.

91 24 1. AGREEMENTS PERMITTED. Subject to any restrictions in a  
91 25 cooperative's articles or bylaws, the cooperative may enter  
91 26 into contribution rights agreements under the terms,  
91 27 provisions, and conditions established by board resolution.

91 28 2. WRITING REQUIRED AND TERMS TO BE STATED. Any  
91 29 contribution rights agreement must be in writing and the  
91 30 writing must state in full, summarize, or include by reference  
91 31 all the agreement's terms, provisions, and conditions of the  
91 32 rights to make contributions.

91 33 3. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided  
91 34 in a cooperative's articles or bylaws, a would-be  
91 35 contributor's rights under a contribution rights agreement  
92 1 shall not be assigned, in whole or in part, to a person who  
92 2 was not a member at the time of the assignment, unless all the  
92 3 members approve the assignment by unanimous written consent.

92 4 Sec. 76. NEW SECTION. 501A.1005 ALLOCATIONS AND  
92 5 DISTRIBUTIONS TO MEMBERS.

92 6 1. ALLOCATION OF PROFITS AND LOSSES. If nonpatron  
92 7 membership interests are authorized by the patrons, the bylaws  
92 8 shall prescribe the allocation of profits and losses between  
92 9 patron membership interests collectively and any other  
92 10 membership interests. If the bylaws do not otherwise provide,  
92 11 the profits and losses between patron membership interests  
92 12 collectively and other membership interests shall be allocated  
92 13 on the basis of the value of contributions to capital made by  
92 14 the patron membership interests collectively and other  
92 15 membership interests accepted by the cooperative. The  
92 16 allocation of profits to the patron membership interests  
92 17 collectively shall not be less than fifty percent of the total  
92 18 profits in any fiscal year, except if authorized in the  
92 19 cooperative's articles or bylaws that are adopted by an  
92 20 affirmative vote of the patron members, or in the articles or  
92 21 bylaws as amended by the affirmative vote of the patron  
92 22 members. However, the allocation of profits to the patron



92 23 membership interests collectively shall not be less than  
92 24 fifteen percent of the total profits in any fiscal year.  
92 25 2. DISTRIBUTION OF CASH OR OTHER ASSETS. A cooperative's  
92 26 bylaws shall prescribe the distribution of cash or other  
92 27 assets of the cooperative among the membership interests of  
92 28 the cooperative. If nonpatron membership interests are  
92 29 authorized by the patrons and the bylaws do not provide  
92 30 otherwise, distributions and allocations shall be made to the  
92 31 patron membership interests collectively and other members on  
92 32 the basis of the value of contributions to capital made and  
92 33 accepted by the cooperative, by the patron membership  
92 34 interests collectively, and other membership interests. The  
92 35 distributions to patron membership interests collectively  
93 1 shall not be less than fifty percent of the total  
93 2 distributions in any fiscal year, except if authorized in the  
93 3 articles or bylaws adopted by the affirmative vote of the  
93 4 patron members, or the articles or bylaws as amended by the  
93 5 affirmative vote of the patron members. However, the  
93 6 distributions to patron membership interests collectively  
93 7 shall not be less than fifteen percent of the total  
93 8 distributions in any fiscal year.

93 9 Sec. 77. NEW SECTION. 501A.1006 ALLOCATIONS AND  
93 10 DISTRIBUTIONS TO PATRON MEMBERS.

93 11 1. DISTRIBUTION OF NET INCOME. A cooperative may set  
93 12 aside a portion of net income allocated to the patron  
93 13 membership interests as the board determines advisable to  
93 14 create or maintain a capital reserve.

93 15 2. RESERVES. In addition to a capital reserve, the board  
93 16 may, for patron membership interests, do any of the following:

93 17 a. Set aside an amount not to exceed five percent of the  
93 18 annual net income of the cooperative for promoting and  
93 19 encouraging cooperative organization.

93 20 b. Establish and accumulate reserves for new buildings,  
93 21 machinery and equipment, depreciation, losses, and other  
93 22 proper purposes.

93 23 3. PATRONAGE DISTRIBUTIONS. Net income allocated to  
93 24 patron members in excess of dividends on equity and additions  
93 25 to reserves shall be distributed to patron members on the  
93 26 basis of patronage. A cooperative may establish allocation  
93 27 units, whether the units are functional, divisional,  
93 28 departmental, geographic, or otherwise. The cooperative may  
93 29 provide for pooling arrangements. The cooperative may account  
93 30 for and distribute net income to patrons on the basis of  
93 31 allocation units and pooling arrangements. A cooperative may  
93 32 offset the net loss of an allocation unit or pooling  
93 33 arrangement against the net income of other allocation units  
93 34 or pooling arrangements.

93 35 4. FREQUENCY OF DISTRIBUTION. A distribution of net  
94 1 income shall be made at least annually. The board shall  
94 2 present to the members at their annual meeting a report  
94 3 covering the operations of the cooperative during the  
94 4 preceding fiscal year.

94 5 5. FORM OF DISTRIBUTION. A cooperative may distribute net  
94 6 income to patron members in cash, capital credits, allocated  
94 7 patronage equities, revolving fund certificates, or its own or  
94 8 other securities.

94 9 6. ELIGIBLE NONMEMBER PATRONS. A cooperative may provide  
94 10 in the bylaws that nonmember patrons are allowed to  
94 11 participate in the distribution of net income, payable to  
94 12 patron members on equal terms with patron members.

94 13 7. PATRONAGE CREDITS FOR INELIGIBLE MEMBERS. If a  
94 14 nonmember patron with patronage credits is not qualified or  
94 15 eligible for membership, a refund due may be credited to the  
94 16 nonmember patron's individual account. The board may issue a  
94 17 certificate of interest to reflect the credited amount. After  
94 18 the nonmember patron is issued a certificate of interest, the  
94 19 nonmember patron may participate in the distribution of income  
94 20 on the same basis as a patron member.

94 21 Sec. 78. NEW SECTION. 501A.1007 MEMBER CONTROL  
94 22 AGREEMENTS.

94 23 1. AUTHORIZATION. A written agreement among persons who  
94 24 are then members, including a sole member, or who have signed  
94 25 subscription or contribution agreements, relating to the  
94 26 control of any phase of the business and affairs of the  
94 27 cooperative, its liquidation, dissolution and termination, or  
94 28 the relations among members or persons who have signed  
94 29 subscription or contribution agreements is valid as provided  
94 30 in subsection 2. Other than the authorization of nonpatron  
94 31 membership interests as provided in section 501A.901 and  
94 32 nonpatron voting rights as provided in section 501A.810,  
94 33 whenever this chapter provides that a particular result may or

94 34 must be obtained through a provision in a cooperative's  
94 35 articles or bylaws, the same result can be accomplished  
95 1 through a member control agreement valid under this section or  
95 2 through a procedure established by a member control agreement  
95 3 valid under this section. However, the member control  
95 4 agreement must be authorized by the cooperative's articles or  
95 5 bylaws and cannot conflict with the cooperative's articles or  
95 6 bylaws. Any result accomplished through a membership control  
95 7 agreement under this section must be properly disclosed as  
95 8 provided in section 501A.901.

95 9 2. VALID EXECUTION. Other than patron member voting  
95 10 control under section 501A.810 and patron member allocation  
95 11 and distribution provisions under sections 501A.1005 and  
95 12 501A.1006, a written agreement among persons described in  
95 13 subsection 1 that relates to the control of or the  
95 14 liquidation, dissolution, and termination of the cooperative,  
95 15 the relations among them, or any phase of the business and  
95 16 affairs of the cooperative is valid if it meets the  
95 17 requirements of this subsection. This includes but is not  
95 18 limited to the management of its business, the declaration and  
95 19 payment of distributions, the sharing of profits and losses,  
95 20 the election of directors, the employment of members by the  
95 21 cooperative, or the arbitration of disputes. The written  
95 22 agreement must be signed by all persons who are then the  
95 23 members of the cooperative, whether or not the members all  
95 24 have voting power, and all those who have signed contribution  
95 25 agreements, regardless of whether those signatories will, when  
95 26 members, have voting power.

95 27 3. OTHER AGREEMENTS NOT AFFECTED. This section does not  
95 28 apply to, limit, or restrict agreements otherwise valid, nor  
95 29 is the procedure set forth in this section the exclusive  
95 30 method of agreement among members or between the members and  
95 31 the cooperative with respect to any of the matters described.

95 32 Sec. 79. NEW SECTION. 501A.1008 DISTRIBUTION OF  
95 33 ABANDONED PROPERTY.

95 34 1. ALTERNATE PROCEDURE TO DISBURSE PROPERTY. A  
95 35 cooperative may, in lieu of paying or delivering to the state  
96 1 abandoned property specified in its report of abandoned  
96 2 property as provided in chapter 556, distribute the abandoned  
96 3 property to a business entity or organization that is exempt  
96 4 from taxation. A cooperative making the election to  
96 5 distribute unclaimed property shall file with the secretary  
96 6 all of the following:

96 7 a. A verified written explanation of the proof of claim of  
96 8 an owner establishing a right to receive the abandoned  
96 9 property.

96 10 b. Any error in the presumption of abandonment.

96 11 c. The name, address, and exemption number of the business  
96 12 entity or organization to which the property was or is to be  
96 13 distributed.

96 14 d. The approximate date of distribution.

96 15 2. REPORTING AND CLAIMING PROCEDURE NOT AFFECTED. This  
96 16 section does not alter the procedure provided by law for  
96 17 cooperatives to report abandoned property to the treasurer of  
96 18 state and the requirement that claims of owners are made to  
96 19 the cooperatives for a period following the publication of  
96 20 lists of abandoned property.

96 21 3. OWNER'S RIGHT EXTINGUISHED ON DISBURSEMENT. The right  
96 22 of an owner to abandoned property held by a cooperative is  
96 23 extinguished when the property is disbursed by the cooperative  
96 24 to a tax-exempt organization in accordance with this section.

96 25 SUBCHAPTER 11  
96 26 MERGER AND CONVERSION

96 27 Sec. 80. NEW SECTION. 501A.1101 MERGER AND  
96 28 CONSOLIDATION.

96 29 1. AUTHORIZATION. Unless otherwise prohibited,  
96 30 cooperatives organized under the laws of this state, including  
96 31 cooperatives organized under this chapter or traditional  
96 32 cooperatives, may merge or consolidate with each other, an  
96 33 Iowa limited liability company under the provisions of section  
96 34 490A.1207, or other business entities organized under the laws  
96 35 of another state by complying with the provisions of this  
97 1 section and the law of the state where the surviving or new  
97 2 business entity will exist. A cooperative shall not merge or  
97 3 consolidate with a business entity organized under the laws of  
97 4 this state, other than a traditional cooperative unless the  
97 5 law governing the business entity expressly authorizes merger  
97 6 or consolidation with a cooperative. This subsection does not  
97 7 authorize a foreign business entity to do any act not  
97 8 authorized by the law governing the foreign business entity.

97 9 2. PLAN. To initiate a merger or consolidation of a

97 10 cooperative, a written plan of merger or consolidation shall  
97 11 be prepared by the board or by a committee selected by the  
97 12 board to prepare a plan. The plan shall state all of the  
97 13 following:

97 14 a. The names of the constituent domestic cooperative, the  
97 15 name of any Iowa limited liability company that is a party to  
97 16 the merger, to the extent authorized under section 490A.1207,  
97 17 and any foreign business entities.

97 18 b. The name of the surviving or new domestic cooperative,  
97 19 Iowa limited liability company as required by section  
97 20 490A.1207, or other foreign business entity.

97 21 c. The manner and basis of converting membership or  
97 22 ownership interests of the constituent domestic cooperative,  
97 23 the surviving Iowa limited liability company as provided in  
97 24 section 490A.1207, or foreign business entity into membership  
97 25 or ownership interests in the surviving or new domestic  
97 26 cooperative, the surviving Iowa limited liability company as  
97 27 authorized in section 490A.1207, or foreign business entity.

97 28 d. The terms of the merger or consolidation.

97 29 e. The proposed effect of the merger or consolidation on  
97 30 the members and patron members of each constituent domestic  
97 31 cooperative.

97 32 f. For a consolidation, the plan shall contain the  
97 33 articles of the entity or organizational documents to be filed  
97 34 with the state in which the entity is organized or, if the  
97 35 surviving organization is an Iowa limited liability company,  
98 1 the articles of organization.

98 2 3. NOTICE. The following shall apply to notice:

98 3 a. The board shall mail or otherwise transmit or deliver  
98 4 notice of the merger or consolidation to each member. The  
98 5 notice shall contain the full text of the plan, and the time  
98 6 and place of the meeting at which the plan will be considered.

98 7 b. A cooperative with more than two hundred members may  
98 8 provide the notice in the same manner as a regular members'  
98 9 meeting notice.

98 10 4. ADOPTION OF PLAN.

98 11 a. A plan of merger or consolidation shall be adopted by a  
98 12 domestic cooperative as provided in this subsection.

98 13 b. The plan of merger or consolidation is adopted if all  
98 14 of the following apply:

98 15 (1) A quorum of the members eligible to vote is registered  
98 16 as being present or represented by mail vote or alternative  
98 17 ballot at the meeting.

98 18 (2) The plan is approved by the patron members, or if  
98 19 otherwise provided in the articles or bylaws, is approved by a  
98 20 majority of the votes cast in each class of votes cast. For a  
98 21 domestic cooperative with articles or bylaws requiring more  
98 22 than a majority of the votes cast or other conditions for  
98 23 approval, the plan must be approved by a proportion of the  
98 24 votes cast or a number of total members as required by the  
98 25 articles or bylaws and the conditions for approval in the  
98 26 articles or bylaws have been satisfied.

98 27 c. After the plan has been adopted, articles of merger or  
98 28 consolidation stating the plan and that the plan was adopted  
98 29 according to this subsection shall be signed by the  
98 30 chairperson, vice chairperson, records officer, or documents  
98 31 officer of each cooperative merging or consolidating.

98 32 d. The articles of merger or consolidation shall be filed  
98 33 in the office of the secretary.

98 34 e. For a merger, the articles of the surviving domestic  
98 35 cooperative subject to this chapter are deemed amended to the  
99 1 extent provided in the articles of merger.

99 2 f. Unless a later date is provided in the plan, the merger  
99 3 or consolidation is effective when the articles of merger or  
99 4 consolidation are filed in the office of the secretary or the  
99 5 appropriate office of another jurisdiction.

99 6 g. The secretary shall issue a certificate of organization  
99 7 of the merged or consolidated cooperative.

99 8 5. EFFECT OF MERGER. For a merger that does not involve  
99 9 an Iowa limited liability company, the following shall apply  
99 10 to the effect of a merger:

99 11 a. After the effective date, the domestic cooperative,  
99 12 Iowa limited liability company, if party to the plan, and any  
99 13 foreign business entity that is a party to the plan become a  
99 14 single entity. For a merger, the surviving business entity is  
99 15 the business entity designated in the plan. For a  
99 16 consolidation, the new domestic cooperative, the Iowa limited  
99 17 liability company, if any, and any foreign business entity is  
99 18 the business entity provided for in the plan. Except for the  
99 19 surviving or new domestic cooperative, Iowa limited liability  
99 20 company, or foreign business entity, the separate existence of

99 21 each merged or consolidated domestic or foreign business  
99 22 entity that is a party to the plan ceases on the effective  
99 23 date of the merger or consolidation.  
99 24 b. The surviving or new domestic cooperative, Iowa limited  
99 25 liability company, or foreign business entity possesses all of  
99 26 the rights and property of each of the merged or consolidated  
99 27 business entities and is responsible for all their  
99 28 obligations. The title to property of the merged or  
99 29 consolidated domestic cooperative, Iowa limited liability  
99 30 company, or foreign business entity is vested in the surviving  
99 31 or new domestic cooperative, Iowa limited liability company,  
99 32 or foreign business entity without reversion or impairment of  
99 33 the title caused by the merger or consolidation.  
99 34 c. If a merger involves an Iowa limited liability company,  
99 35 this subsection is subject to the provisions of section  
100 1 490A.1207.

100 2 Sec. 81. NEW SECTION. 501A.1102 MERGER OF SUBSIDIARY.

100 3 1. WHEN AUTHORIZED == CONTENTS OF PLAN. For purposes of  
100 4 this section, "subsidiary" means a domestic cooperative, an  
100 5 Iowa limited liability company, or a foreign cooperative.

100 6 2. An Iowa limited liability company may only participate  
100 7 in a merger under this section to the extent authorized under  
100 8 section 490A.1207. A parent domestic cooperative or a  
100 9 subsidiary that is a domestic cooperative may complete the  
100 10 merger of a subsidiary as provided in this section. However,  
100 11 if either the parent cooperative or the subsidiary is a  
100 12 business entity organized under the laws of this state, the  
100 13 merger of the subsidiary is not authorized under this section  
100 14 unless the law governing the business entity expressly  
100 15 authorizes merger with a cooperative.

100 16 a. A parent cooperative owning at least ninety percent of  
100 17 the outstanding ownership interests of each class and series  
100 18 of a subsidiary directly, or indirectly through related  
100 19 organizations, other than classes or series that, absent this  
100 20 section, would otherwise not be entitled to vote on the  
100 21 merger, may merge the subsidiary into itself or into any other  
100 22 subsidiary at least ninety percent of the outstanding  
100 23 ownership interests of each class and series of which is owned  
100 24 by the parent cooperative directly, or indirectly through  
100 25 related organizations, other than classes or series that,  
100 26 absent this section, would otherwise not be entitled to vote  
100 27 on the merger, without a vote of the members of itself or any  
100 28 subsidiary or may merge itself, or itself and one or more of  
100 29 the subsidiaries, into one of the subsidiaries under this  
100 30 section. A resolution approved by the affirmative vote of a  
100 31 majority of the directors of the parent cooperative present  
100 32 shall set forth a plan of merger that contains all of the  
100 33 following:

100 34 (1) The name of the subsidiary or subsidiaries, the name  
100 35 of the parent cooperative, and the name of the surviving  
101 1 cooperative.

101 2 (2) The manner and basis of converting the membership  
101 3 interests of the subsidiary or subsidiaries or parent  
101 4 cooperative into securities of the parent cooperative,  
101 5 subsidiary, or of another cooperative or, in whole or in part,  
101 6 into money or other property.

101 7 (3) If the parent cooperative is a constituent cooperative  
101 8 but is not the surviving cooperative in the merger, a  
101 9 provision for the pro rata issuance of membership interests of  
101 10 the surviving cooperative to the holders of membership  
101 11 interests of the parent on surrender of any certificates for  
101 12 shares or membership interests of the parent cooperative.

101 13 (4) If the surviving cooperative is a subsidiary, a  
101 14 statement of any amendments to the articles of the surviving  
101 15 cooperative that will be part of the merger.

101 16 b. If the parent is a constituent cooperative and the  
101 17 surviving cooperative in the merger, the parent cooperative  
101 18 may change its cooperative name, without a vote of its  
101 19 members, by the inclusion of a provision to that effect in the  
101 20 resolution of merger setting forth the plan of merger that is  
101 21 approved by the affirmative vote of a majority of the  
101 22 directors of the parent cooperative present. Upon the  
101 23 effective date of the merger, the name of the parent  
101 24 cooperative shall be changed.

101 25 c. If the parent cooperative is a constituent cooperative  
101 26 but is not the surviving cooperative in the merger, the  
101 27 resolution is not effective unless the resolution is also  
101 28 approved by the affirmative vote of the holders of a majority  
101 29 of the voting power of all membership interests of the parent  
101 30 entitled to vote at a regular or special meeting if the parent  
101 31 is a cooperative, or in accordance with the laws under which

101 32 the parent is organized if the parent is a foreign business  
101 33 entity or foreign cooperative.

101 34 3. NOTICE TO MEMBERS OF SUBSIDIARY. Notice of the action,  
101 35 including a copy of the plan of merger, shall be delivered to  
102 1 each member, other than the parent cooperative and any  
102 2 subsidiary of each subsidiary that is a constituent  
102 3 cooperative in the merger before, or within ten days after,  
102 4 the effective date of the merger.

102 5 4. ARTICLES OF MERGER == CONTENTS OF ARTICLES. Articles  
102 6 of merger shall be prepared that contain all of the following:

102 7 a. The plan of merger.

102 8 b. The number of outstanding membership interests of each  
102 9 series and class of each subsidiary that is a constituent  
102 10 cooperative in the merger, other than the series or classes  
102 11 that, absent this section, would otherwise not be entitled to  
102 12 vote on the merger, and the number of membership interests of  
102 13 each series and class of the subsidiary or subsidiaries, other  
102 14 than series or classes that, absent this section, would  
102 15 otherwise not be entitled to vote on the merger, owned by the  
102 16 parent directly, or indirectly through related organizations.

102 17 c. A statement that the plan of merger has been approved  
102 18 by the parent under this section.

102 19 5. ARTICLES SIGNED, FILED. The articles of merger shall  
102 20 be signed on behalf of the parent and filed with the  
102 21 secretary.

102 22 6. CERTIFICATE. The secretary shall issue a certificate  
102 23 of merger to the parent or its legal representative or, if the  
102 24 parent is a constituent cooperative but is not the surviving  
102 25 cooperative in the merger, to the surviving cooperative or its  
102 26 legal representative.

102 27 7. NONEXCLUSIVITY. A merger among a parent and one or  
102 28 more subsidiaries or among two or more subsidiaries of a  
102 29 parent may be accomplished under section 501A.1101 instead of  
102 30 this section, in which case this section does not apply.

102 31 Sec. 82. NEW SECTION. 501A.1103 ABANDONMENT.

102 32 1. ABANDONMENT BY MEMBERS OF PLAN. After a plan of merger  
102 33 has been approved by the members entitled to vote on the  
102 34 approval of the plan and before the effective date of the  
102 35 plan, the plan may be abandoned by the same vote that approved  
103 1 the plan.

103 2 2. ABANDONMENT OF MERGER.

103 3 a. A merger may be abandoned upon any of the following:

103 4 (1) The members of each of the constituent domestic  
103 5 cooperatives entitled to vote on the approval of the plan have  
103 6 approved the abandonment at a meeting by the affirmative vote  
103 7 of the holders of a majority of the voting power of the  
103 8 membership interests entitled to vote.

103 9 (2) The merger is with a domestic cooperative and an Iowa  
103 10 limited liability company or foreign business entity.

103 11 (3) The abandonment is approved in such manner as may be  
103 12 required by section 490A.1207 for the involvement of an Iowa  
103 13 limited liability company, or for a foreign business entity by  
103 14 the laws of the state under which the foreign business entity  
103 15 is organized.

103 16 (4) The members of a constituent domestic cooperative are  
103 17 not entitled to vote on the approval of the plan, and the  
103 18 board of the constituent domestic cooperative has approved the  
103 19 abandonment by the affirmative vote of a majority of the  
103 20 directors present.

103 21 (5) The plan provides for abandonment and all conditions  
103 22 for abandonment set forth in the plan are met.

103 23 (6) The plan is abandoned before the effective date of the  
103 24 plan by a resolution of the board of any constituent domestic  
103 25 cooperative abandoning the plan of merger approved by the  
103 26 affirmative vote of a majority of the directors present,  
103 27 subject to the contract rights of any other person under the  
103 28 plan. If a plan of merger is with a domestic business entity  
103 29 or foreign business entity, the plan of merger may be  
103 30 abandoned before the effective date of the plan by a

103 31 resolution of the foreign business entity adopted according to  
103 32 the laws of the state under which the foreign business entity  
103 33 is organized, subject to the contract rights of any other  
103 34 person under the plan. If the plan of merger is with an Iowa  
103 35 limited liability company, the plan of merger may be abandoned  
104 1 by the Iowa limited liability company as provided in section  
104 2 490A.1207, subject to the contractual rights of any other  
104 3 person under the plan.

104 4 b. If articles of merger have been filed with the  
104 5 secretary, but have not yet become effective, the constituent  
104 6 organizations, in the case of abandonment under paragraph "a",  
104 7 subparagraphs (1) through (4), the constituent organizations

104 8 or any one of them, in the case of abandonment under paragraph  
104 9 "a", subparagraph (5), or the abandoning organization in the  
104 10 case of abandonment under paragraph "a", subparagraph (6),  
104 11 shall file with the secretary articles of abandonment that  
104 12 include all of the following:  
104 13 (1) The names of the constituent organizations.  
104 14 (2) The provisions of this section under which the plan is  
104 15 abandoned.  
104 16 (3) If the plan is abandoned under paragraph "a",  
104 17 subparagraph (6), the text of the resolution abandoning the  
104 18 plan.

104 19 Sec. 83. NEW SECTION. 501A.1104 CONVERSION == AMENDMENT  
104 20 OF ORGANIZATIONAL DOCUMENTS TO BE GOVERNED BY THIS CHAPTER.

104 21 1. AUTHORITY.

104 22 a. A traditional cooperative organized may convert to a  
104 23 cooperative and become subject to this chapter by amending its  
104 24 organizational documents to conform to the requirements of  
104 25 this chapter.

104 26 b. A traditional cooperative becoming a converted  
104 27 cooperative must provide its members with a disclosure  
104 28 statement of the rights and obligations of the members and the  
104 29 capital structure of the cooperative before becoming subject  
104 30 to this chapter. A traditional cooperative, upon distribution  
104 31 of the disclosure required in this subsection and approval of  
104 32 its members as necessary for amending its articles under the  
104 33 respective chapter of its organization, may amend its articles  
104 34 to comply with this chapter.

104 35 c. A traditional cooperative becoming a converted  
105 1 cooperative must prepare a certificate stating all of the  
105 2 following:

105 3 (1) The date on which the traditional cooperative was  
105 4 first organized.

105 5 (2) The name of the traditional cooperative and, if the  
105 6 name is changed, the name of the cooperative becoming  
105 7 converted.

105 8 (3) The future effective date and time, which must be a  
105 9 date and time certain, that the traditional cooperative will  
105 10 be governed by this chapter, if the effective date and time is  
105 11 not to be the date and time of filing.

105 12 d. Upon filing with the secretary of the articles for  
105 13 compliance with this chapter and the certificate required  
105 14 under paragraph "c", a traditional cooperative is converted  
105 15 and governed by this chapter unless a later date and time is  
105 16 specified in the certificate under paragraph "c".

105 17 e. In connection with a conversion under which a  
105 18 traditional cooperative becomes governed by this chapter, the  
105 19 rights, securities, or interests of the traditional  
105 20 cooperative as provided in chapter 497, 498, 499, or 501 may  
105 21 be exchanged or converted into rights, property, securities,  
105 22 or interests in the converted cooperative.

105 23 2. EFFECT OF BEING GOVERNED BY THIS CHAPTER. The  
105 24 conversion of a traditional cooperative to a cooperative  
105 25 governed by this chapter does not affect any obligations or  
105 26 liabilities of the cooperative before the conversion or the  
105 27 personal liability of any person incurred before the  
105 28 conversion.

105 29 a. When the conversion is effective, the rights,  
105 30 privileges, and powers of the cooperative, real and personal  
105 31 property of the cooperative, debts due to the cooperative, and  
105 32 causes of action belonging to the traditional cooperative  
105 33 remain vested in the converted cooperative and are the  
105 34 property of the converted cooperative and governed by this  
105 35 chapter. Title to real property vested by deed or otherwise  
106 1 in the traditional cooperative does not revert and is not  
106 2 impaired by reason of the cooperative being converted and  
106 3 governed by this chapter.

106 4 b. Rights of creditors and liens upon property of the  
106 5 traditional cooperative are preserved unimpaired, and debts,  
106 6 liabilities, and duties of the traditional cooperative remain  
106 7 attached to the converted cooperative and may be enforced  
106 8 against the converted cooperative to the same extent as if the  
106 9 debts, liabilities, and duties had originally been incurred or  
106 10 contracted by the cooperative as organized under this chapter.

106 11 c. The rights, privileges, powers, and interests in  
106 12 property of the traditional cooperative as well as the debts,  
106 13 liabilities, and duties of the traditional cooperative are not  
106 14 deemed, as a consequence of the conversion, to have been  
106 15 transferred for any purpose by the laws of this state.

106 16 SUBCHAPTER 12

106 17 DISSOLUTION

106 18 Sec. 84. NEW SECTION. 501A.1201 METHODS OF DISSOLUTION.

106 19 A cooperative may be dissolved by the members or by  
106 20 administrative or court order as provided in this chapter.

106 21 Sec. 85. NEW SECTION. 501A.1202 WINDING UP.

106 22 1. COLLECTION AND PAYMENT OF DEBTS. After the notice of  
106 23 intent to dissolve has been filed with the secretary, the  
106 24 board, or the officers acting under the direction of the  
106 25 board, shall proceed as soon as possible to do all of the  
106 26 following:

106 27 a. Collect or make provision for the collection of all  
106 28 debts due or owing to the cooperative, including unpaid  
106 29 subscriptions for membership interests.

106 30 b. Pay or make provision for the payment of all debts,  
106 31 obligations, and liabilities of the cooperative according to  
106 32 their priorities.

106 33 2. TRANSFER OF ASSETS. After the notice of intent to  
106 34 dissolve has been filed with the secretary, the board may  
106 35 sell, lease, transfer, or otherwise dispose of all or  
107 1 substantially all of the property and assets of the dissolving  
107 2 cooperative without a vote of the members.

107 3 3. DISTRIBUTION TO MEMBERS. Tangible and intangible  
107 4 property, including money, remaining after the discharge of  
107 5 the debts, obligations, and liabilities of the cooperative  
107 6 shall be distributed to the members and former members as  
107 7 provided in the cooperative's articles or bylaws, unless  
107 8 otherwise provided by law. If previously authorized by the  
107 9 members, the tangible and intangible property of the  
107 10 cooperative may be liquidated and disposed of at the  
107 11 discretion of the board.

107 12 Sec. 86. NEW SECTION. 501A.1203 REVOCATION OF  
107 13 DISSOLUTION PROCEEDINGS.

107 14 1. AUTHORITY TO REVOKE. Dissolution proceedings may be  
107 15 revoked before the articles of dissolution are filed with the  
107 16 secretary.

107 17 2. REVOCATION BY MEMBERS. The chairperson may call a  
107 18 members' meeting to consider the advisability of revoking the  
107 19 dissolution proceedings. The question of the proposed  
107 20 revocation shall be submitted to the members at the members'  
107 21 meeting called to consider the revocation. The dissolution  
107 22 proceedings are revoked if the proposed revocation is approved  
107 23 at the members' meeting by a majority of the members of the  
107 24 cooperative or, for a cooperative with articles or bylaws  
107 25 requiring a greater number of members, the number of members  
107 26 required by the articles or bylaws.

107 27 3. FILING WITH THE SECRETARY. Revocation of dissolution  
107 28 proceedings is effective when a notice of revocation is filed  
107 29 with the secretary. After the notice is filed, the  
107 30 cooperative may resume business.

107 31 Sec. 87. NEW SECTION. 501A.1204 STATUTE OF LIMITATIONS.

107 32 The claim of a creditor or claimant against a dissolving  
107 33 cooperative is barred if the claim has not been enforced by  
107 34 initiating legal, administrative, or arbitration proceedings  
107 35 concerning the claim by two years after the date the notice of  
108 1 intent to dissolve is filed with the secretary.

108 2 Sec. 88. NEW SECTION. 501A.1205 ARTICLES OF DISSOLUTION.

108 3 1. CONDITIONS TO FILE. Articles of dissolution of a  
108 4 cooperative shall be filed with the secretary after payment of  
108 5 the claims of all known creditors and claimants has been made  
108 6 or provided for and the remaining property has been  
108 7 distributed by the board. The articles of dissolution shall  
108 8 state all of the following:

108 9 a. All debts, obligations, and liabilities of the  
108 10 cooperative have been paid or discharged or adequate  
108 11 provisions have been made for them or time periods allowing  
108 12 claims have run and other claims are not outstanding.

108 13 b. The remaining property, assets, and claims of the  
108 14 cooperative have been distributed among the members or under a  
108 15 liquidation authorized by the members.

108 16 c. Legal, administrative, or arbitration proceedings by or  
108 17 against the cooperative are not pending or adequate provision  
108 18 has been made for the satisfaction of a judgment, order, or  
108 19 decree that may be entered against the cooperative in a  
108 20 pending proceeding.

108 21 2. DISSOLUTION EFFECTIVE ON FILING. The cooperative is  
108 22 dissolved when the articles of dissolution have been filed  
108 23 with the secretary.

108 24 3. CERTIFICATE. The secretary shall issue to the  
108 25 dissolved cooperative or its legal representative a  
108 26 certificate of dissolution that contains all of the following:

108 27 a. The name of the dissolved cooperative.

108 28 b. The date the articles of dissolution were filed with  
108 29 the secretary.

108 30 c. A statement that the cooperative is dissolved.  
108 31 Sec. 89. NEW SECTION. 501A.1206 APPLICATION FOR COURT=  
108 32 SUPERVISED VOLUNTARY DISSOLUTION.  
108 33 After a notice of intent to dissolve has been filed with  
108 34 the secretary and before a certificate of dissolution has been  
108 35 issued, the cooperative or, for good cause shown, a member or  
109 1 creditor may apply to a court within the county where the  
109 2 registered address is located to have the dissolution  
109 3 conducted or continued under the supervision of the court.  
109 4 Sec. 90. NEW SECTION. 501A.1207 COURT=ORDERED REMEDIES  
109 5 FOR DISSOLUTION.  
109 6 1. CONDITIONS FOR RELIEF. A court may grant equitable  
109 7 relief that the court deems just and reasonable in the  
109 8 circumstances or may dissolve a cooperative and liquidate its  
109 9 assets and business as follows:  
109 10 a. In a supervised voluntary dissolution that is applied  
109 11 for by the cooperative.  
109 12 b. In an action by a member when it is established that  
109 13 any of the following apply:  
109 14 (1) The directors or the persons having the authority  
109 15 otherwise vested in the board are deadlocked in the management  
109 16 of the cooperative's affairs and the members are unable to  
109 17 break the deadlock.  
109 18 (2) The directors or those in control of the cooperative  
109 19 have acted fraudulently, illegally, or in a manner unfairly  
109 20 prejudicial toward one or more members in their capacities as  
109 21 members, directors, or officers.  
109 22 (3) The members of the cooperative are so divided in  
109 23 voting power that, for a period that includes the time when  
109 24 two consecutive regular members' meetings were held, they have  
109 25 failed to elect successors to directors whose terms have  
109 26 expired or would have expired upon the election and  
109 27 qualification of their successors.  
109 28 (4) The cooperative assets are being misapplied or wasted.  
109 29 (5) The period of duration as provided in the articles has  
109 30 expired and has not been extended as provided in this chapter.  
109 31 c. In an action by a creditor when any of the following  
109 32 applies:  
109 33 (1) The claim of the creditor against the cooperative has  
109 34 been reduced to judgment and an execution on the judgment has  
109 35 been returned unsatisfied.  
110 1 (2) The cooperative has admitted in writing that the claim  
110 2 of the creditor against the cooperative is due and owing and  
110 3 it is established that the cooperative is unable to pay its  
110 4 debts in the ordinary course of business.  
110 5 (3) In an action by the attorney general to dissolve the  
110 6 cooperative in accordance with this chapter when it is  
110 7 established that a decree of dissolution is appropriate.  
110 8 2. CONDITION OF COOPERATIVE OR ASSOCIATION. In  
110 9 determining whether to order equitable relief or dissolution,  
110 10 the court shall take into consideration the financial  
110 11 condition of the cooperative, but shall not refuse to order  
110 12 equitable relief or dissolution solely on the grounds that the  
110 13 cooperative has accumulated operating net income or current  
110 14 operating net income.  
110 15 3. DISSOLUTION AS REMEDY. In deciding whether to order  
110 16 dissolution of the cooperative, the court shall consider  
110 17 whether lesser relief suggested by one or more parties, such  
110 18 as a form of equitable relief or a partial liquidation, would  
110 19 be adequate to permanently relieve the circumstances  
110 20 established under subsection 1, paragraph "b", subparagraph  
110 21 (1) or (2). Lesser relief may be ordered if it would be  
110 22 appropriate under the facts and circumstances of the case.  
110 23 4. EXPENSES. If the court finds that a party to a  
110 24 proceeding brought under this section has acted arbitrarily,  
110 25 vexatiously, or otherwise not in good faith, the court may in  
110 26 its discretion award reasonable expenses, including attorney  
110 27 fees and disbursements to any of the other parties.  
110 28 5. VENUE. Proceedings under this section shall be brought  
110 29 in a court within the county where the registered address of  
110 30 the cooperative is located.  
110 31 6. PARTIES. It is not necessary to make members parties  
110 32 to the action or proceeding unless relief is sought against  
110 33 them personally.  
110 34 Sec. 91. NEW SECTION. 501A.1208 PROCEDURE IN INVOLUNTARY  
110 35 OR COURT=SUPERVISED VOLUNTARY DISSOLUTION.  
111 1 1. ACTION BEFORE HEARING. Before a hearing is completed  
111 2 in dissolution proceedings, a court may do any of the  
111 3 following:  
111 4 a. Issue injunctions.  
111 5 b. Appoint receivers with all powers and duties that the



111 6 court directs.

111 7 c. Take actions required to preserve the cooperative's

111 8 assets, wherever located.

111 9 d. Carry on the business of the cooperative.

111 10 2. ACTION AFTER HEARING. After a hearing is completed,

111 11 upon notice to parties to the proceedings and to other parties

111 12 in interest designated by the court, the court may appoint a

111 13 receiver to collect the cooperative's assets, including

111 14 amounts owing to the cooperative by subscribers on account of

111 15 an unpaid portion of the consideration for the issuance of

111 16 membership interests. A receiver has authority, subject to

111 17 the order of the court, to continue the business of the

111 18 cooperative and to sell, lease, transfer, or otherwise dispose

111 19 of the property and assets of the cooperative, either at

111 20 public or private sale.

111 21 3. DISCHARGE OF OBLIGATIONS. The assets of the

111 22 cooperative or the proceeds resulting from a sale, lease,

111 23 transfer, or other disposition shall be applied in the

111 24 following order of priority:

111 25 a. The costs and disbursement of the proceedings, including

111 26 attorney fees and disbursements.

111 27 b. Debts, taxes, and assessments due the United States,

111 28 this state, and other states in that order.

111 29 c. Claims duly proved and allowed to employees under the

111 30 provisions of the workers' compensation law, except that

111 31 claims under this paragraph shall not be allowed if the

111 32 cooperative carried workers' compensation insurance, as

111 33 provided by law, at the time the injury was sustained.

111 34 d. Claims, including the value of all compensation paid in

111 35 a medium other than money, proved and allowed to employees for

112 1 services performed within three months preceding the

112 2 appointment of the receiver.

112 3 e. Other claims that are proved and allowed by the court.

112 4 4. REMAINDER TO MEMBERS. After payment of the expenses of

112 5 receivership and claims of creditors are proved, the remaining

112 6 assets, if any, may be distributed to the members or

112 7 distributed under an approved liquidation plan.

112 8 Sec. 92. NEW SECTION. 501A.1209 RECEIVER QUALIFICATIONS

112 9 AND POWERS.

112 10 1. QUALIFICATIONS. A receiver shall be a natural person

112 11 or a domestic business entity or a foreign business entity

112 12 authorized to transact business in this state. A receiver

112 13 shall give a bond as directed by the court with the sureties

112 14 required by the court.

112 15 2. POWERS. A receiver may sue and defend in all courts as

112 16 receiver of the cooperative. The court appointing the

112 17 receiver has exclusive jurisdiction of the cooperative and its

112 18 property.

112 19 Sec. 93. NEW SECTION. 501A.1210 DISSOLUTION ACTION BY

112 20 ATTORNEY GENERAL == ADMINISTRATIVE DISSOLUTION.

112 21 1. CONDITIONS TO BEGIN ACTION. A cooperative may be

112 22 dissolved involuntarily by a decree of a court in this state

112 23 in an action filed by the attorney general if it is

112 24 established that any of the following applies:

112 25 a. The articles and certificate of organization were

112 26 procured through fraud.

112 27 b. The cooperative was organized for a purpose not

112 28 permitted by this chapter or prohibited by state law.

112 29 c. The cooperative has flagrantly violated a provision of

112 30 this chapter, has violated a provision of this chapter more

112 31 than once, or has violated more than one provision of this

112 32 chapter.

112 33 d. The cooperative has acted, or failed to act, in a

112 34 manner that constitutes surrender or abandonment of the

112 35 cooperative's franchise, privileges, or enterprise.

113 1 2. NOTICE TO COOPERATIVE. An action shall not be

113 2 commenced under subsection 1 until thirty days after notice to

113 3 the cooperative by the attorney general of the reason for the

113 4 filing of the action. If the reason for filing the action is

113 5 an act that the cooperative has done, or omitted to do, and

113 6 the act or omission may be corrected by an amendment of the

113 7 articles or bylaws or by performance of or abstention from the

113 8 act, the attorney general shall give the cooperative thirty

113 9 additional days to make the correction before filing the

113 10 action.

113 11 Sec. 94. NEW SECTION. 501A.1211 FILING CLAIMS IN COURT=

113 12 SUPERVISED DISSOLUTION PROCEEDINGS.

113 13 1. FILING UNDER OATH. In proceedings to dissolve a

113 14 cooperative, the court may require all creditors and claimants

113 15 of the cooperative to file their claims under oath with the

113 16 clerk of court or with the receiver in a form prescribed by

113 17 the court.

113 18 2. DATE TO FILE A CLAIM. If the court requires the filing  
113 19 of claims, the court shall do all of the following:

113 20 a. Set a date, by order, at least one hundred twenty days  
113 21 after the date the order is filed as the last day for the  
113 22 filing of claims.

113 23 b. Prescribe the notice of the fixed date that shall be  
113 24 given to creditors and claimants.

113 25 3. FIXED DATE OR EXTENSION FOR FILING. Before the fixed  
113 26 date, the court may extend the time for filing claims.  
113 27 Creditors and claimants failing to file claims on or before  
113 28 the fixed date may be barred, by order of court, from claiming  
113 29 an interest in or receiving payment out of the property or  
113 30 assets of the cooperative.

113 31 Sec. 95. NEW SECTION. 501A.1212 DISCONTINUANCE OF COURT=  
113 32 SUPERVISED DISSOLUTION PROCEEDINGS.

113 33 The involuntary or supervised voluntary dissolution of a  
113 34 cooperative may be discontinued at any time during the  
113 35 dissolution proceedings if it is established that cause for  
114 1 dissolution does not exist. The court shall dismiss the  
114 2 proceedings and direct the receiver, if any, to redeliver to  
114 3 the cooperative its remaining property and assets.

114 4 Sec. 96. NEW SECTION. 501A.1213 COURT=SUPERVISED  
114 5 DISSOLUTION ORDER.

114 6 1. CONDITIONS FOR DISSOLUTION ORDER. In an involuntary or  
114 7 supervised voluntary dissolution the court shall enter an  
114 8 order dissolving the cooperative upon the following  
114 9 conditions:

114 10 a. After the costs and expenses of the proceedings and all  
114 11 debts, obligations, and liabilities of the cooperative have  
114 12 been paid or discharged and the remaining property and assets  
114 13 have been distributed to its members.

114 14 b. If the property or other assets are not sufficient to  
114 15 satisfy and discharge the costs, expenses, debts, obligations,  
114 16 and liabilities, when all the property and assets have been  
114 17 applied so far as they will go to their payment according to  
114 18 their priorities.

114 19 2. DISSOLUTION EFFECTIVE ON FILING ORDER. When the order  
114 20 dissolving the cooperative has been entered, the cooperative  
114 21 is dissolved.

114 22 Sec. 97. NEW SECTION. 501A.1214 FILING COURT'S  
114 23 DISSOLUTION ORDER.

114 24 After the court enters an order dissolving a cooperative,  
114 25 the clerk of court shall cause a certified copy of the  
114 26 dissolution order to be filed with the secretary. The  
114 27 secretary shall not charge a fee for filing the dissolution  
114 28 order.

114 29 Sec. 98. NEW SECTION. 501A.1215 BARRING OF CLAIMS.

114 30 1. CLAIMS BARRED. A person who is or becomes a creditor  
114 31 or claimant before, during, or following the conclusion of  
114 32 dissolution proceedings, who does not file a claim or pursue a  
114 33 remedy in a legal, administrative, or arbitration proceeding  
114 34 during the pendency of the dissolution proceeding or has not  
114 35 initiated a legal, administrative, or arbitration proceeding  
115 1 before the commencement of the dissolution proceedings and all  
115 2 those claiming through or under the creditor or claimant, are  
115 3 forever barred from suing on that claim or otherwise realizing  
115 4 upon or enforcing it, except as provided in this section.

115 5 2. CERTAIN UNFILED CLAIMS ALLOWED. Within one year after  
115 6 articles of dissolution have been filed with the secretary  
115 7 under this chapter or a dissolution order has been entered, a  
115 8 creditor or claimant who shows good cause for not having  
115 9 previously filed the claim may apply to a court in this state  
115 10 to allow a claim for any of the following:

115 11 a. Against the cooperative to the extent of undistributed  
115 12 assets.

115 13 b. If the undistributed assets are not sufficient to  
115 14 satisfy the claim, the claim may be allowed against a member  
115 15 to the extent of the distributions to members in dissolution  
115 16 received by the member.

115 17 3. OMITTED CLAIMS ALLOWED. Debts, obligations, and  
115 18 liabilities incurred during dissolution proceedings shall be  
115 19 paid or provided for by the cooperative before the  
115 20 distribution of assets to a member. A person to whom this  
115 21 kind of debt, obligation, or liability is owed but is not paid  
115 22 may pursue any remedy against the offenders, directors, or  
115 23 members of the cooperative before the expiration of the  
115 24 applicable statute of limitations. This subsection does not  
115 25 apply to dissolution under the supervision or order of a  
115 26 court.

115 27 Sec. 99. NEW SECTION. 501A.1216 RIGHT TO SUE OR DEFEND

115 28 AFTER DISSOLUTION.

115 29 After a cooperative has been dissolved, any of its former  
115 30 officers, directors, or members may assert or defend, in the  
115 31 name of the cooperative, a claim by or against the  
115 32 cooperative.

115 33 DIVISION II  
115 34 CONFORMING CHANGES

115 35 Sec. 100. Section 10B.1, subsection 2, Code 2005, is  
116 1 amended to read as follows:

116 2 2. "Cooperative association" means any entity organized on  
116 3 a cooperative basis, including an association of persons  
116 4 organized under chapter 497, 498, or 499; an entity composed  
116 5 of entities organized under those chapters; or a cooperative  
116 6 organized under chapter 501 or 501A.

116 7 Sec. 101. Section 15.333, subsection 1, Code 2005, is  
116 8 amended to read as follows:

116 9 1. An eligible business may claim a corporate tax credit  
116 10 up to a maximum of ten percent of the new investment which is  
116 11 directly related to new jobs created by the location or  
116 12 expansion of an eligible business under the program. Any  
116 13 credit in excess of the tax liability for the tax year may be  
116 14 credited to the tax liability for the following seven years or  
116 15 until depleted, whichever occurs earlier. Subject to prior  
116 16 approval by the department of economic development in  
116 17 consultation with the department of revenue, an eligible  
116 18 business whose project primarily involves the production of  
116 19 value-added agricultural products may elect to receive a  
116 20 refund of all or a portion of an unused tax credit. For  
116 21 purposes of this section, an eligible business includes a  
116 22 cooperative described in section 521 of the Internal Revenue  
116 23 Code which is not required to file an Iowa corporate income  
116 24 tax return. The refund may be used against a tax liability  
116 25 imposed under chapter 422, division II, III, or V. If the  
116 26 business is a partnership, S corporation, limited liability  
116 27 company, cooperative organized under chapter 501 or 501A and  
116 28 filing as a partnership for federal tax purposes, or estate or  
116 29 trust electing to have the income taxed directly to the  
116 30 individual, an individual may claim the tax credit allowed.  
116 31 The amount claimed by the individual shall be based upon the  
116 32 pro rata share of the individual's earnings of the  
116 33 partnership, S corporation, limited liability company,  
116 34 cooperative organized under chapter 501 or 501A and filing as  
116 35 a partnership for federal tax purposes, or estate or trust.

117 1 Sec. 102. Section 15.385, subsection 3, paragraph a, Code  
117 2 2005, is amended to read as follows:

117 3 a. An eligible business may claim a tax credit equal to a  
117 4 percentage of the new investment directly related to new jobs  
117 5 created by the location or expansion of an eligible business  
117 6 under the program. The tax credit shall be allowed against  
117 7 taxes imposed under chapter 422, division II, III, or V. If  
117 8 the business is a partnership, S corporation, limited  
117 9 liability company, cooperative organized under chapter 501 and  
117 10 filing as a partnership for federal tax purposes, or estate or  
117 11 trust electing to have the income taxed directly to the  
117 12 individual, an individual may claim the tax credit allowed.  
117 13 The amount claimed by the individual shall be based upon the  
117 14 pro rata share of the individual's earnings of the  
117 15 partnership, S corporation, limited liability company,  
117 16 cooperative organized under chapter 501 or 501A, and filing as  
117 17 a partnership for federal tax purposes, or estate or trust.  
117 18 The percentage shall be equal to the amount provided in  
117 19 paragraph "d". Any tax credit in excess of the tax liability  
117 20 for the tax year may be credited to the tax liability for the  
117 21 following seven years or until depleted, whichever occurs  
117 22 first.

117 23 Subject to prior approval by the department of economic  
117 24 development, in consultation with the department of revenue,  
117 25 an eligible business whose project primarily involves the  
117 26 production of value-added agricultural products or uses  
117 27 biotechnology-related processes may elect to receive a refund  
117 28 of all or a portion of an unused tax credit. For purposes of  
117 29 this subsection, such an eligible business includes a  
117 30 cooperative described in section 521 of the Internal Revenue  
117 31 Code which is not required to file an Iowa corporate income  
117 32 tax return, and whose project primarily involves the  
117 33 production of ethanol. The refund may be applied against a  
117 34 tax liability imposed under chapter 422, division II, III, or  
117 35 V. If the business is a partnership, S corporation, limited  
118 1 liability company, cooperative organized under chapter 501 or  
118 2 501A, and filing as a partnership for federal tax purposes, or  
118 3 estate or trust electing to have the income taxed directly to

118 4 the individual, an individual may claim the tax credit  
118 5 allowed. The amount claimed by the individual shall be based  
118 6 upon the pro rata share of the individual's earnings of the  
118 7 partnership, S corporation, limited liability company,  
118 8 cooperative organized under chapter 501 and filing as a  
118 9 partnership for federal tax purposes, or estate or trust.  
118 10 Sec. 103. Section 15E.202, subsection 17, paragraph b,  
118 11 Code 2005, is amended to read as follows:  
118 12 b. A cooperative organized under chapter 501 or 501A.  
118 13 Sec. 104. Section 203.1, subsection 10, paragraph i, Code  
118 14 2005, is amended to read as follows:  
118 15 i. A cooperative organized under chapter 501 or 501A, if  
118 16 the cooperative only purchases grain from its members who are  
118 17 producers or from a licensed grain dealer, and the cooperative  
118 18 does not resell that grain.  
118 19 Sec. 105. Section 490A.102, subsection 4, Code 2005, is  
118 20 amended to read as follows:  
118 21 4. "Constituent entity" means each limited liability  
118 22 company, limited partnership, ~~or~~ corporation, or domestic  
118 23 cooperative which is party to a plan of merger pursuant to  
118 24 subchapter XII.  
118 25 Sec. 106. Section 490A.102, Code 2005, is amended by  
118 26 adding the following new subsection:  
118 27 NEW SUBSECTION. 7A. "Domestic cooperative" means a  
118 28 cooperative organized under chapter 497, 498, 499, 501, or  
118 29 501A.  
118 30 Sec. 107. Section 490A.1201, Code 2005, is amended by  
118 31 striking the section and inserting in lieu thereof of the  
118 32 following:  
118 33 490A.1201 CONSTITUENT ENTITY.  
118 34 As used in this section, unless the context otherwise  
118 35 requires, "constituent entity", as used in sections 490A.1202,  
119 1 490A.1204, 490A.1205, and 490A.1207, includes a domestic  
119 2 cooperative. However, as used in section 490A.1203,  
119 3 "constituent entity" does not include a domestic cooperative.  
119 4 Sec. 108. NEW SECTION. 490A.1201A MERGER.  
119 5 With or without a business purpose, a limited liability  
119 6 company may merge with any of the following:  
119 7 1. Another domestic limited liability company pursuant to  
119 8 a plan of merger approved in the manner provided in sections  
119 9 490A.1202 through 490A.1205.  
119 10 2. A domestic corporation under a plan of merger approved  
119 11 in the manner provided in sections 490A.1202 through  
119 12 490A.1205, and in chapter 490.  
119 13 3. A domestic limited partnership pursuant to a plan of  
119 14 merger approved in the manner provided in sections 490A.1202  
119 15 through 490A.1207, and in chapter 487.  
119 16 4. One or more cooperatives organized under chapter 497,  
119 17 498, 499, 501, or 501A, in the manner provided by and subject  
119 18 to the limitations in section 490A.1207.  
119 19 5. A foreign corporation, foreign limited liability  
119 20 company, or foreign limited partnership pursuant to a plan of  
119 21 merger approved in the manner provided in section 490A.1206.  
119 22 Sec. 109. Section 490A.1202, Code 2005, is amended by  
119 23 adding the following new subsection:  
119 24 NEW SUBSECTION. 0A. As used in this section, "interests"  
119 25 includes but is not limited to membership interests in a  
119 26 domestic cooperative.  
119 27 Sec. 110. NEW SECTION. 490A.1207 MERGER OF DOMESTIC  
119 28 COOPERATIVE INTO A DOMESTIC LIMITED LIABILITY COMPANY.  
119 29 1. A limited liability company may merge with a domestic  
119 30 cooperative only as provided by this section. A limited  
119 31 liability company may merge with one or more domestic  
119 32 cooperatives if all of the following apply:  
119 33 a. Only one limited liability company and one or more  
119 34 domestic cooperatives are parties to the merger.  
119 35 b. When the merger becomes effective, the separate  
120 1 existence of each domestic cooperative ceases and the limited  
120 2 liability company is the surviving entity per organization.  
120 3 c. As to each domestic cooperative, the plan of merger is  
120 4 initiated and adopted, and the merger is effectuated, as  
120 5 provided in section 501A.1101.  
120 6 d. As to the limited liability company, the plan of merger  
120 7 complies with section 490A.1202, the plan of merger is  
120 8 approved as provided in section 490A.1203, and the articles of  
120 9 merger are prepared, signed, and filed as provided in section  
120 10 490A.1204.  
120 11 e. Notwithstanding section 490A.1202, 490A.1205, or  
120 12 490A.1206, the surviving organization must be the limited  
120 13 liability company.  
120 14 2. Section 501A.1103 governs the abandonment by a domestic

120 15 cooperative of a merger authorized by this section. Section  
120 16 490A.1203, subsection 2, governs the abandonment by a limited  
120 17 liability company of a merger authorized by this section,  
120 18 except that for the purposes of a merger authorized by this  
120 19 section, the requirements stated in section 490A.1203,  
120 20 subsection 2, paragraphs "b" and "c", do not apply and instead  
120 21 the abandonment must have been approved by the domestic  
120 22 cooperative.

120 23 Sec. 111. Section 499.4, unnumbered paragraph 1, Code  
120 24 2005, is amended to read as follows:

120 25 ~~No A person or firm, and no including a corporation~~  
120 26 hereafter organized, which is not an association as defined in  
120 27 this chapter or a cooperative as defined in chapter 501 ~~or~~  
120 28 501A, shall not use the word "cooperative" or any abbreviation  
120 29 thereof in its name or advertising or in any connection with  
120 30 its business, except foreign associations admitted under  
120 31 section 499.54. The attorney general or any association or  
120 32 any member thereof may sue and enjoin such use.

120 33 Sec. 112. Section 502.102, subsection 20, Code 2005, is  
120 34 amended to read as follows:

120 35 20. "Person" means an individual; corporation; business  
121 1 trust; estate; trust; partnership; limited liability company;  
121 2 association; cooperative as provided in chapter 501A; joint  
121 3 venture; government; governmental subdivision, agency, or  
121 4 instrumentality; public corporation; or any other legal or  
121 5 commercial entity.

121 6 Sec. 113. Section 502.102, subsection 26, Code 2005, is  
121 7 amended by adding the following new unnumbered paragraph:

121 8 NEW UNNUMBERED PARAGRAPH. "Sale" does not include a  
121 9 dividend on equity distributed by an agricultural cooperative  
121 10 association organized under chapter 501A.

121 11 Sec. 114. Section 502.202, Code 2005, is amended by adding  
121 12 the following new subsection:

121 13 NEW SUBSECTION. 24. SALE OF SECURITIES TO MEMBERS OF  
121 14 COOPERATIVES.

121 15 a. Any offer or sale by a cooperative organized under  
121 16 chapter 501A of its securities when the securities are offered  
121 17 and sold only to its existing members or when the purchase of  
121 18 the securities is necessary or incidental to establishing  
121 19 patron membership in the cooperative, or when such securities  
121 20 are issued as patronage dividends. This subsection shall  
121 21 apply to offers and sales of securities, other than the  
121 22 issuance of securities as patronage dividends, only when the  
121 23 issuer, prior to the completion of the sale of such  
121 24 securities, provides each offeree or purchaser disclosure  
121 25 materials which, to the extent material to an understanding of  
121 26 the issuer, its business, and the securities being offered,  
121 27 substantially meet the disclosure conditions and limitations  
121 28 found in Rule 502(b) of Regulation D, promulgated by the  
121 29 securities and exchange commission, 17 C.F.R., pt. 17, }  
121 30 230.502.

121 31 b. An agricultural cooperative association organized under  
121 32 chapter 501A may, at or about the same time as offers or sales  
121 33 are being completed in reliance upon this exemption from  
121 34 registration and as part of a common plan of financing, offer  
121 35 or sell its securities in reliance upon any other exemption  
122 1 from registration available under this chapter. The offer or  
122 2 sale of securities in reliance upon this subsection shall not  
122 3 be considered or deemed a part of or be integrated with any  
122 4 offer or sale of securities conducted by the agricultural  
122 5 cooperative association in reliance upon any other exemption  
122 6 from registration available under this chapter, nor shall  
122 7 offers or sales of securities by the agricultural cooperative  
122 8 association in reliance upon any other exemption from  
122 9 registration available under this chapter be considered or  
122 10 deemed a part of or be integrated with any offer or sale of  
122 11 securities conducted by the agricultural cooperative  
122 12 association in reliance upon this subsection.

122 13 Sec. 115. Section 556.1, subsection 3, Code 2005, is  
122 14 amended to read as follows:

122 15 3. "Cooperative association" means ~~an~~ any of the  
122 16 following:

122 17 a. An entity which is structured and operated on a  
122 18 cooperative basis, including an association of persons  
122 19 organized under chapter 497, 498, or 499; or an entity  
122 20 composed of entities organized under those chapters ~~or a.~~

122 21 b. A cooperative organized under chapter 501 ~~or~~.

122 22 c. A cooperative organized under chapter 501A.

122 23 d. ~~a~~ A cooperative association organized under chapter  
122 24 490 ~~or any.~~

122 25 e. Any other entity recognized pursuant to 26 U.S.C. }

122 26 1381(a) which meets the definitional requirements of an  
122 27 association as provided in 12 U.S.C. } 1141(j)(a) or 7 U.S.C.  
122 28 } 291.

122 29 Sec. 116. Section 556.5, subsection 4, paragraph b, Code  
122 30 2005, is amended to read as follows:

122 31 b. A disbursement held by a cooperative association shall  
122 32 not be deemed abandoned under this chapter if the disbursement  
122 33 is retained by a cooperative association organized under  
122 34 chapter 490 as provided in section 490.629, ~~or~~ by a  
122 35 cooperative association organized under chapter 499 as  
123 1 provided in section 499.30A, or by a cooperative as provided  
123 2 in section 501A.1008.

123 3 Sec. 117. Section 501A.102, as enacted in this Act, is  
123 4 amended by striking from the section the word and figure "or  
123 5 487".

123 6 Sec. 118. EFFECTIVE DATES. This Act takes effect July 1,  
123 7 2006, except that section 117 of this Act takes effect January  
123 8 1, 2006.

#### 123 9 EXPLANATION

123 10 This bill creates a new Code chapter 501A authorizing  
123 11 persons to organize as a new form of cooperative. Generally,  
123 12 cooperatives or cooperative associations in Iowa are formed  
123 13 under Code chapter 499 (older Code chapters include 497 and  
123 14 498). Traditionally, a cooperative is a business association  
123 15 organized for purposes of providing economic services to its  
123 16 members (sometimes referred to as shareholders) that does  
123 17 business with patrons on a nonprofit or "cooperative" basis  
123 18 and is taxed under special provisions.

123 19 Cooperatives are usually formed for agricultural purposes  
123 20 or for providing utilities. Code chapter 501 provides for a  
123 21 hybrid between a cooperative and corporation which is  
123 22 organized for purposes of attracting outside capital. The  
123 23 bill establishes another hybrid organization which includes  
123 24 provisions and terms common to both cooperative associations  
123 25 and limited liability companies. Its purpose is to allow the  
123 26 formation of these types of business associations which are  
123 27 organized and may be taxed as a limited liability company.

123 28 DIVISION I. The bill provides for administrative  
123 29 provisions (governing the state's administration of  
123 30 cooperative associations organized under the bill), its powers  
123 31 and duties, including the powers and duties of its members and  
123 32 directors, the equity interests (or membership interests) of  
123 33 its members, the allocations and distributions of profits and  
123 34 losses, mergers and conversions, and dissolution.

123 35 Specifically, the bill divides members up into investors  
124 1 who do not patronize the cooperative and patrons who do. It  
124 2 provides that an outside investor member may hold an equity  
124 3 position in a cooperative, and to receive profits from its  
124 4 business endeavors. Generally, patrons are provided control  
124 5 of the cooperative (provided governance and financial rights)  
124 6 unless the patrons grant equal control or greater financial  
124 7 rights to nonpatron members. A patron member is entitled to  
124 8 one vote on issues. However, the cooperative may allow patron  
124 9 members additional votes based on patronage criteria.

124 10 The bill requires the allocations and distributions to  
124 11 patron members to be not less than 50 percent of the total  
124 12 profits or distributions in any fiscal year unless the patron  
124 13 members authorize a lesser amount which may not be less than  
124 14 15 percent. The bill provides that a cooperative may be  
124 15 formed to grant voting rights to members or directors who are  
124 16 patrons and nonpatrons (bloc voting). It also provides that,  
124 17 collectively, nonpatron members may control up to 85 percent  
124 18 of the voting, if provided in its bylaws. Under subchapter T  
124 19 of the federal Internal Revenue Code, income generated by an  
124 20 agricultural cooperative may be taxed at the cooperative level  
124 21 or the patron level. The bill enables a cooperative to elect  
124 22 to be taxed as a partnership under subchapter K or under  
124 23 subchapter T. The bill also provides that a cooperative  
124 24 organized under another chapter may elect to convert to a  
124 25 cooperative organized under Code chapter 501A, assuming that  
124 26 it meets the requirement of federal antitrust provisions.

124 27 The bill provides for mergers between cooperatives into  
124 28 Code chapter 501A business entities or into Iowa limited  
124 29 liability companies or foreign business entities. The bill  
124 30 does not specifically provide for dissenters' rights as  
124 31 ordinarily provided under cooperative law.

124 32 DIVISION II. The bill also provides a number of changes to  
124 33 other provisions of the Code. It makes changes to economic  
124 34 development provisions, including those in Code section  
124 35 15.333, which provides that an eligible business under the new  
125 1 jobs and income program may claim a tax credit of up to 10

125 2 percent of a new investment that involves the creation of new  
125 3 jobs. The bill amends provisions in Code chapter 15E, which  
125 4 includes the Iowa agricultural industry finance Act, by  
125 5 allowing Code chapter 501A cooperatives to participate in  
125 6 loans extended by an agricultural industry finance  
125 7 corporation.  
125 8 The bill amends various provisions in Code chapter 490A,  
125 9 which provides for limited liability companies, by providing  
125 10 for mergers between such companies and cooperatives organized  
125 11 under Code chapter 501A.  
125 12 The bill amends Iowa's "Blue Sky Law", codified in Code  
125 13 chapter 502, by providing for the regulation of cooperatives.  
125 14 It also amends Code chapter 556, which provides for abandoned  
125 15 property by providing special provisions for the distribution  
125 16 of such property by Code chapter 501A cooperatives.  
125 17 Generally, the bill takes effect on July 1, 2005, but one  
125 18 provision relating to the repeal of Iowa's uniform limited  
125 19 partnership Act takes effect on January 1, 2006.  
125 20 LSB 1021SC 81  
125 21 da:rj/cf/24.1