

CHAPTER 1010
COOPERATIVE CORPORATIONS
S.F. 2135

AN ACT providing for the organization of cooperative corporations, providing for fees, and providing for penalties.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. **PURPOSE.** The purpose of chapter 501 is to provide an opportunity for producers of agricultural commodities to contribute a portion of their production for a single enterprise for purposes of enhancing the value of that production and to restrict control of these enterprises to agricultural producers.

Sec. 2. Section 203.1, subsection 8, Code Supplement 1995, is amended to read as follows:

8. "Grain dealer" means a person who buys during any calendar month five hundred bushels of grain or more from the producers of the grain for purposes of resale, milling, or processing. However, "grain dealer" does not include ~~a~~ any of the following:

- a. A producer of grain who is buying grain for the producer's own use as seed or feed;~~a.~~
- b. A person solely engaged in buying grain future contracts on the board of trade;~~a.~~
- c. A person who purchases grain only for sale in a registered feed;~~a.~~
- d. A person who purchases grain for sale in a nonregistered customer-formula feed regulated by chapter 198, who purchases less than a total of fifty thousand bushels of grain annually from producers, and who is also exempt as an incidental warehouse operator under chapter 203C;~~a.~~
- e. A person engaged in the business of selling agricultural seeds regulated by chapter 199;~~a.~~
- f. A person buying grain only as a farm manager;~~an.~~
- g. An executor, administrator, trustee, guardian, or conservator of an estate;~~a.~~
- h. A bargaining agent as defined in section 203A.1; or a custom livestock feeder.
- i. A cooperative corporation organized under chapter 501, if the cooperative buys grain from producers who are members or a licensed grain dealer, and the cooperative does not resell that grain.

SUBCHAPTER I
GENERAL PROVISIONS

Sec. 3. **NEW SECTION.** 501.101 **DEFINITIONS.**

As used in this chapter, unless the context requires otherwise:

1. "Articles" means the cooperative's articles of incorporation.
2. "Authorized person" means a person who is one of the following:
 - a. A farming entity.
 - b. An individual or general partnership that owns land and receives as rent a share of the crops or the animals raised on the land if those crops or animals are a significant component of the cooperative's business operations.
 - c. An employee of the cooperative who performs at least one thousand hours of service for the cooperative in each calendar year.
3. "Board" means the cooperative's board of directors.
4. "Cooperative" means a cooperative corporation organized under this chapter or converted to this chapter pursuant to section 501.601.
5. "Farming" means the same as section 9H.1.
6. "Farming entity" means any one of the following:
 - a. A natural person or a fiduciary for a natural person who regularly participates in physical labor or operations management in a farming operation and files schedule F as

part of the person's annual form 1040 or form 1041 filing with the United States internal revenue service.

b. A family farm corporation, family farm limited liability company, family farm limited partnership, or family trust, as defined in section 9H.1.

7. "Member" means a person who owns voting stock in a cooperative.

8. "Shareholder" means a person who owns stock in a cooperative, whether or not that stock has voting rights.

9. "Voting stock" means stock in a cooperative that has voting rights.

Sec. 4. NEW SECTION. 501.102 PURPOSES AND POWERS.

1. A cooperative organized under this chapter has the purpose of engaging in any lawful business unless a more limited purpose is set forth in the articles.

2. Unless its articles provide otherwise, a cooperative has perpetual duration and succession in its corporate name and has the same powers as an individual to do all things necessary or convenient to carry out its business and affairs, including, without limitation, all of the powers enumerated in sections 490.302 and 490.303.

Sec. 5. NEW SECTION. 501.103 LIMITED FARMING ACTIVITIES.

1. Notwithstanding section 9H.4, a cooperative may, directly or indirectly, acquire or otherwise obtain or lease agricultural land in this state, for as long as the cooperative continues to meet the following requirements:

a. Farming entities own sixty percent of the stock and are eligible to cast sixty percent of the votes at member meetings.

b. Authorized persons own at least seventy-five percent of the stock and are eligible to cast at least seventy-five percent of the votes at member meetings.

c. The cooperative does not, either directly or indirectly, acquire or otherwise obtain or lease agricultural land, if the total agricultural land either directly or indirectly owned or leased by the cooperative would then exceed six hundred forty acres.

2. A cooperative that claims that it is exempt from the restrictions of section 9H.4 pursuant to subsection 1 shall file an annual report with the secretary of state on or before March 31 of each year on forms supplied by the secretary of state. The report shall be signed by the president or the vice president of the cooperative and shall contain the following:

a. The cooperative's name and address.

b. A certification that the cooperative meets both of the requirements of subsection 1.

c. The number of acres of agricultural land owned, leased or held by the cooperative, including the following:

(1) The total number of acres in the state.

(2) The number of acres in each county identified by county name.

(3) The number of acres owned.

(4) The number of acres leased.

(5) The number of acres held other than by ownership or lease.

(6) The number of acres used for the production of row crops.

3. The president or the vice president of the cooperative who falsifies a report shall be guilty of perjury as provided in section 720.2.

4. In the event of a transfer of stock by operation of law as a result of death, divorce, bankruptcy, or pursuant to a security interest, the cooperative may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

Sec. 6. NEW SECTION. 501.104 NAME.

The name of a cooperative organized under this chapter must contain the word "cooperative", "coop", or "co-op", and the name must be distinguishable from the names of cooperatives organized under this chapter or another chapter, or foreign cooperatives authorized to do business in this state.

Sec. 7. NEW SECTION. 501.105 EXECUTION AND FILING OF DOCUMENTS.

1. The secretary of state may prescribe and furnish on request forms for the proper administration of this chapter. If the secretary of state has prescribed a mandatory form for a document, then that form must be on the prescribed form.

2. Articles must be signed by all of the incorporates;* and all other documents filed with the secretary of state must be signed by one of the cooperative's officers. The printed name and capacity of each signatory must appear in proximity to the signatory's signature. The secretary of state may accept a document containing a copy of the signature. A document is not required to contain a corporate seal, an acknowledgment, or a verification.

3. The secretary of state shall collect the following fees:

- a. Twenty dollars upon the filing of original or amended articles or articles of merger.
- b. Five dollars upon the filing of all other required documents.
- c. Five dollars per document and fifty cents per page for copying and certifying a document.

4. A document is effective at the later of the following times:

a. The time of filing on the date it is filed, as evidenced by the secretary of state's date and time endorsement on the original document.

b. The delayed effective time and date specified in the document. If a delayed effective date but no time is specified in the document, the document is effective at the close of business on that date. A delayed effective date for a document shall not be later than the ninetieth day after the date it is filed.

5. A document filed under this section may be corrected if the document contains an incorrect statement or the execution of the document was defective. A document is corrected by filing with the secretary of state articles of correction which describe the document to be corrected, including its filing date or a copy of the document. The articles must specify and correct the incorrect statement or defective execution. Articles of correction are effective on the effective date of the document it corrects except as to persons relying on the original document and adversely affected by the correction. As to those persons, articles of correction are effective when filed.

6. The secretary of state shall forward for recording a copy of each original, amended, and restated articles, articles of merger, articles of consolidation, and articles of dissolution to the recorder of the county in which the cooperative has its principal place of business, or in the case of a merger or consolidation, to the recorders of each of the counties in which the merging or consolidating cooperatives have their principal offices.

Sec. 8. NEW SECTION. 501.106 REGISTERED OFFICE.

1. A cooperative must continuously maintain in this state a registered office that may be the same as any of its places of business, and a registered agent, who may be any of the following:

a. An individual who resides in this state and whose business office is identical with the registered office.

b. A domestic corporation or not-for-profit domestic corporation whose business office is identical with the registered office.

c. A foreign corporation or not-for-profit foreign corporation authorized to transact business in this state whose business office is identical with the registered office.

2. A corporation may change its registered office or registered agent by delivering to the secretary of state for filing a statement of change that sets forth all of the following:

a. The name of the cooperative.

b. The street address of its current registered office.

c. If the street address of the current registered office is to be changed, the street address of the new registered office.

d. The name of its current registered agent.

e. If the current registered agent is to be changed, the name of the new registered agent and the new agent's written consent, either on the statement or attached to it, to the appointment.

* The word "incorporators" probably intended

f. That after the change or changes are made, the street addresses of its registered office and the business office of its registered agent will be identical.

3. a. If a registered agent changes the street address of the registered agent's business office, the registered agent may change the street address of the registered office of any cooperative for which the person is the registered agent by notifying the cooperative in writing of the change and signing, either manually or in facsimile, and delivering to the secretary of state for filing, a statement that provides for a registered office and a registered agent as provided in this section, and which recites that the cooperative has been notified of the change.

b. If a registered agent changes the registered agent's business address to another place, the registered agent may change the business address and the address of the registered agent by filing a statement as required in paragraph "a" for each cooperative, or a single statement for all cooperatives named in the notice, except that it need be signed only by the registered agent or agents or be responsive to subsection 2, paragraph "e". The statement must recite that a copy of the statement has been mailed to each cooperative named in the notice.

4. A cooperative may also change its registered office or registered agent in its annual report.

Sec. 9. NEW SECTION. 501.107 RECORDS AND REPORTS.

The provisions of sections 490.1601 through 490.1622 shall apply to cooperatives organized under this chapter in the same manner as the provisions apply to corporations organized under chapter 490.

Sec. 10. NEW SECTION. 501.108 QUO WARRANTO.

The attorney general alone shall have the right to inquire into whether a cooperative has the right to exist or continue under this chapter. If the secretary of state is informed that a cooperative is not functioning as a cooperative, the secretary of state shall notify the attorney general. If the attorney general finds reasonable cause that the cooperative is not functioning as provided under this chapter, the attorney general shall bring action to wind up the affairs of the cooperative.

SUBCHAPTER II
ARTICLES AND BYLAWS

Sec. 11. NEW SECTION. 501.201 INCORPORATION.

Three or more individuals may organize a cooperative under this chapter by executing and delivering articles to the secretary of state.

Sec. 12. NEW SECTION. 501.202 ARTICLES OF INCORPORATION.

1. The initial articles must set forth all of the following:
 - a. The name, address, and occupation of each incorporator.
 - b. The names and addresses of the initial directors.
 - c. The street address of the cooperative's initial registered office and the name of its initial registered agent at that office.
2. The articles must set forth all of the following:
 - a. The name that satisfies the requirements of section 501.104.
 - b. A statement that it is organized under this chapter.
 - c. Its duration, which may be perpetual.
 - d. The classes of stock and the authorized number of shares of each class.
 - e. The quorum required for each member meeting.
 - f. The member voting rules.
3. The articles may set forth any other provision consistent with law.

Sec. 13. NEW SECTION. 501.203 AMENDED AND RESTATED ARTICLES OF INCORPORATION.

1. A cooperative may amend its articles at any time to add or change a provision that is required or permitted in the articles or to delete a provision not required in the articles.

2. A cooperative may restate its articles at any time. A restatement of the articles must contain the information required by section 501.202, subsection 2, and may set forth any other provision consistent with law.

3. If the board recommends the amendment or restatement to the members, the amendment or restatement must be adopted by the members by a vote of two-thirds of the votes cast.

4. If the board does not recommend the amendment or restatement to the members, then the amendment or restatement must be adopted by the members by a vote of two-thirds of the votes cast on a ballot in which a majority of all votes are cast.

Sec. 14. NEW SECTION. 501.204 BYLAWS.

The board may adopt or amend the cooperative's bylaws by a vote of three-fourths of the board. The members may adopt or amend the cooperative's bylaws by a vote of three-fourths of the votes cast on a ballot in which a majority of all votes are cast. A bylaw provision adopted by the members shall not be amended or repealed by the directors.

SUBCHAPTER III
MEMBERS

Sec. 15. NEW SECTION. 501.301 LIABILITY OF MEMBERS.

A member is not personally liable for the acts or debts of the cooperative.

Sec. 16. NEW SECTION. 501.302 CALLING AND NOTICE OF MEETINGS.

1. A cooperative shall hold an annual member meeting at a time and place fixed in accordance with the bylaws.

2. The board may call special member meetings, and the board shall call a special member meeting upon the written demand of twenty percent of the members.

3. A cooperative shall give each member at least ten days advanced notice of the time, place, and the issues to be considered at each member meeting. This notice may be given in person or by mail to the last known address of the member, or the notice requirement may be met by the member waiving the notice.

4. The record date for determining the members entitled to notice of and to vote at a member meeting is the close of business on the day before the first notices for the meeting are delivered or mailed.

Sec. 17. NEW SECTION. 501.303 CONDUCT OF MEETINGS.

1. Only those issues included in the notice of a member meeting may be considered at that meeting.

2. A member may vote at a member meeting in person or by signed absentee ballot that specifies the issue and the member's vote on that issue. If the board makes available an absentee ballot form, then that form must be used to cast an absentee ballot on that issue.

Sec. 18. NEW SECTION. 501.304 MEMBER INFORMATION.

1. Within ten days from receiving a demand of a member, the cooperative shall produce and furnish the member with the names and addresses of all members of the cooperative.

2. The board shall adopt a policy which permits the distribution of information to all of the members upon the request of a member when the purpose of the request concerns directly the action of the board. Upon receipt of the information and the request of a member, the board shall distribute the information to all of the members. The cooperative may charge the requesting member the costs incurred by the cooperative in distributing the information.

Sec. 19. NEW SECTION. 501.305 MULTIPLE MEMBERSHIP PROHIBITED.

A person who is a member owning fifteen percent or more of a cooperative shall not be eligible to be a member of any other cooperative organized under this chapter. A person

violating this section is subject to a civil penalty of not more than one hundred dollars. The person's membership in a cooperative shall terminate if the person's acquisition of an interest in that cooperative caused the person to be in violation of this section.

Sec. 20. NEW SECTION. 501.306 NUMBER OF VOTES.

A person who is a member or shareholder shall not own more than one membership or share of voting stock. The person shall be entitled to cast not more than one vote regarding any matter in which a vote is conducted, including any matter subject to a vote during a cooperative meeting.

Sec. 21. NEW SECTION. 501.307 FINANCIAL INFORMATION.

The cooperative shall make available financial information to its membership by doing either of the following:

1. Preparing and providing to its members a financial statement for the cooperative's last fiscal year.

a. The financial statement must be based upon an unqualified opinion based upon an audit performed by a certified public accountant licensed in this state. However, a qualification in an opinion is valid, if it is unavoidable by any audit procedure that is permitted under generally accepted accounting principles. An opinion that is qualified because of a limited audit procedure or because the scope of an audit is limited is invalid for purposes of this section.

b. The financial statement must disclose the assets, liabilities, and net worth of the cooperative. The financial statement must be prepared according to generally accepted accounting principles. Assets must be shown at original cost less depreciation, or based upon a valuation in accordance with a competent appraisal. Unpriced contracts for agricultural commodities or products must be shown as a liability and valued at the applicable current market price of the agricultural commodities or products as of the date the financial statement is prepared.

2. Honoring a demand to provide access at all reasonable hours at its offices the books, records, accounts, papers, documents, and computer programs or other recordings relating to the property, assets, business, and financial affairs of the cooperative. The demand shall be in writing and signed by at least fifty percent of all the members of the cooperative. The cooperative shall honor the demand within one day from its receipt. Upon receipt of the demand, the cooperative must provide access to one or more persons selected by the fifty percent of the members to conduct the examination.

SUBCHAPTER IV DIRECTORS AND OFFICERS

Sec. 22. NEW SECTION. 501.401 NUMBER AND ELECTION.

1. The affairs of a cooperative shall be managed by a board of not less than three directors.

2. The members shall elect the directors as prescribed in the articles or bylaws.

3. Each director shall serve the term prescribed in the articles or bylaws. The terms may be staggered.

Sec. 23. NEW SECTION. 501.402 VACANCIES.

1. A director may resign at any time by delivering written notice to the board chairperson or the board secretary. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

2. The members may remove one or more directors with or without cause unless the articles provide that directors may be removed only for cause.

3. The articles may authorize the board to remove a director for a cause specified in the articles.

4. Unless the articles or bylaws provide otherwise, the board shall fill each vacancy until the members elect a director to fill the vacancy at the next scheduled meeting of the members. If the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office.

Sec. 24. NEW SECTION. 501.403 BOARD ACTION.

1. The board may hold regular or special meetings in or out of this state. A quorum of the board consists of a majority of the directors.

2. Unless the articles or bylaws provide otherwise:

a. Regular board meetings may be held without notice of the date, time, place, or purpose of the meeting.

b. Special board meetings must be preceded by at least two days' notice of the date, time, and place of the meeting; but the notice need not describe the purpose of the special meeting.

c. The board may create one or more committees composed of directors, and specify the duties and authority of each committee.

d. The board may permit any number of directors to participate in a regular or special meeting by, or conduct the meeting through, the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting.

e. Action required or permitted by this chapter to be taken at a board meeting may be taken without a meeting if the action is taken by all members of the board. The action must be evidenced by one or more written consents describing the action taken, signed by each director, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

3. A director may waive any notice required by this chapter, the articles, or the bylaws before or after the date and time stated in the notice. The waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. A director's attendance at or participation in a meeting waives any required notice to that director of the meeting unless the director at the beginning of the meeting or promptly upon the director's arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Sec. 25. NEW SECTION. 501.404 DIRECTOR CONFLICT OF INTEREST.

1. A conflict of interest transaction is a transaction with the cooperative in which a director has a direct or indirect interest. A director shall be deemed to have a conflict of interest in a matter concerning a transaction between the cooperative and another entity, if the director owns a twenty-five percent or greater ownership interest in the other entity. A conflict of interest transaction is not voidable by the cooperative solely because of the director's interest in the transaction if any one of the following is true:

a. The material facts of the transaction and the director's interest were disclosed or known to the board or a board committee and the board or committee authorized, approved, or ratified the transaction. For purposes of this paragraph, a conflict of interest transaction is authorized, approved, or ratified if it receives the affirmative vote of a majority of the directors on the board or on the committee who have no direct or indirect interest in the transaction, but a transaction may not be authorized, approved, or ratified under this section by a single director. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this subsection. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under this subsection, if the transaction is otherwise authorized, approved, or ratified as provided in this subsection.

b. The material facts of the transaction and the director's interest were disclosed or known to the shareholders entitled to vote and they authorized, approved, or ratified the transaction. For purposes of this subsection, a conflict of interest transaction is authorized, approved, or ratified if it receives a majority of the votes entitled to be counted under this subsection. Shares owned by or voted under the control of a director who has a direct

or indirect interest in the transaction, and shares owned by or voted under the control of an entity described in paragraph "a",* shall not be counted in a vote of members to determine whether to authorize, approve, or ratify a conflict of interest transaction under this subsection. The vote of those shares, however, is counted in determining whether the transaction is approved under other sections of this chapter. A majority of the votes, whether or not the shareholders are present, that are entitled to be counted in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this subsection.

c. The transaction was fair to the cooperative.

2. For purposes of this section, a director of the cooperative has an indirect interest in a transaction if either:

a. Another entity in which the director has a material financial interest is a party to the transaction.

b. Another entity of which the director is a director, officer, or trustee is a party to the transaction and the transaction is or should be considered by the board.

Sec. 26. NEW SECTION. 501.405 OFFICERS.

A cooperative shall have officers described in its bylaws or appointed by the board in accordance with the bylaws. The bylaws or the board shall delegate to one of the officers responsibility for preparing minutes of the directors' and members' meetings and for authenticating records of the cooperative. Each officer has the authority and shall perform the duties set forth in the bylaws or, to the extent consistent with the bylaws, the duties prescribed by the board. The same individual may simultaneously hold more than one office.

Sec. 27. NEW SECTION. 501.406 STANDARDS OF CONDUCT.

1. A director or officer shall discharge the director's or officer's duties in conformity with all of the following:

a. In good faith.

b. With the care an ordinarily prudent person in a like position would exercise under similar circumstances.

c. In a manner the director or officer reasonably believes to be in the best interests of the cooperative.

2. In discharging duties by a director or officer, the director or officer is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by any of the following:

a. One or more officers or employees of the cooperative whom the director or officer reasonably believes to be reliable and competent in the matters presented.

b. A person, including but not limited to a legal counsel or public accountant, regarding a matter that the director or officer reasonably believes is within the person's professional or expert competence.

c. A committee of the board of which the director or officer is not a member if the director or officer reasonably believes the committee merits confidence.

3. A director or officer is not acting in good faith if the director or officer has knowledge concerning a matter in question that makes reliance otherwise permitted by subsection 2 unwarranted.

4. A director or officer is not liable for any action taken as a director or officer, or the failure to take action, if the director or officer performs the duties of the office in compliance with this section, or if, and to the extent that, liability for the action or failure to act has been limited by the articles pursuant to section 501.407.

Sec. 28. NEW SECTION. 501.407 PERSONAL LIABILITY.

The articles may contain a provision eliminating or limiting the personal liability of a director, officer, or a shareholder of the cooperative for monetary damages for breach of a fiduciary duty as a director, officer, or shareholder, provided that the provision does not eliminate or limit liability for any of the following:

* Subsection 2, paragraph "a" probably intended

1. A breach of the duty of loyalty to the cooperative or its shareholders.
2. An act or omission not in good faith or which involves intentional misconduct or a knowing violation of law.
3. A transaction from which the director, officer, or shareholder derives an improper personal benefit.
4. An act or omission occurring prior to the date when the provision in the articles becomes effective.

Sec. 29. NEW SECTION. 501.408 INDEMNIFICATION.

A cooperative may indemnify a present or former director, officer, employee, or agent in the manner and in the instances authorized in sections 490.850 through 490.858, provided that where these sections provide for action by the shareholders these sections are applicable to actions by the members, and where these sections refer to the cooperative* these sections are applicable to a cooperative.

SUBCHAPTER V
CAPITAL STRUCTURE

Sec. 30. NEW SECTION. 501.501 ISSUANCE AND TRANSFER OF STOCK.

1. A cooperative may issue the number of shares of each class authorized by its articles. A cooperative may issue fractional shares. Stock may be represented by certificates or by entry on the cooperative's stock record books.
2. A member may sell or otherwise transfer stock, other than voting stock, to any other member or to any person who has been approved by the board for membership, subject to the limitations in the articles or bylaws on the amount of each class of stock that may be owned by one member.
3. A cooperative may acquire its own stock, and shares so acquired constitute authorized but unissued shares.

Sec. 31. NEW SECTION. 501.502 TERMINATION OF MEMBERSHIP.

1. A membership shall terminate upon the death of the member.
2. The articles or bylaws may authorize the board to terminate a membership for any of the following reasons:
 - a. The member has attempted to transfer stock to a person who is not a member and has not been approved for membership.
 - b. The member has failed to meet the member's commitment to provide products to the cooperative or to buy the cooperative's products.
 - c. The member is no longer an authorized person.
 - d. The member is no longer a farming entity.
3. A member's right to vote at member meetings shall cease upon termination of the membership.
4. The cooperative shall redeem, without interest, the voting stock of a terminated member within one year after the termination of the membership for the fair market value of the stock. If the amount originally paid by the member for the voting stock was less than ten percent of the total amount the member paid for all classes of stock, the cooperative may redeem the voting stock for its issue price if the cooperative's articles of incorporation grant the cooperative this authority.
5. The cooperative shall redeem, without interest, all of the terminated member's allocated patronage refunds and preferred stock originally issued as allocated patronage refunds for the issue price. A cooperative shall make this payment within one year after the termination of the membership. However, if a terminated member's current equity equals or exceeds two percent of the cooperative's total members' equity, the cooperative shall redeem the terminated member's equity in annual amounts of not less than fifteen percent of the total amount provided that the entire amount must be redeemed within seven years.

* The word "corporation" probably intended

Sec. 32. NEW SECTION. 501.503 DISTRIBUTION OF NET SAVINGS.

The board shall annually dispose of the cooperative's earnings in excess of its operating expenses as follows:

1. If the articles authorize the payment of dividends on a class of stock, then the directors may declare dividends pursuant to the articles. Dividends may not exceed eight percent of the value of the stock in each fiscal year. The members may control the amount that is allocated under this subsection.

2. To provide a reasonable reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses. The members may control the amount that is allocated under this subsection.

3. To increase the cooperative's retained savings to the extent determined by the board to be necessary based on its evaluation of the future needs and the competitive position of the cooperative.

4. The cooperative shall have an unconditional binding obligation to distribute to the members all remaining net savings as determined under the United States Internal Revenue Code. These net savings shall be allocated to each member in proportion to the business the member did with the cooperative during the preceding fiscal year. The net savings may be separately calculated for two or more categories of business, and allocated to the members on the basis of business done within each of these categories. Net savings shall be distributed in the form of cash or stock, or a combination of cash and stock, as determined by the board.

SUBCHAPTER VI
CONVERSION, MERGER, SALE, AND DISSOLUTION

Sec. 33. NEW SECTION. 501.601 EXISTING CORPORATIONS.

1. As used in this section:

a. "Dissenting member" means a voting member who votes in opposition to the plan of conversion and who makes a demand for payment as provided in this section not later than the deadline for members to cast ballots on the vote to approve the plan of conversion.

b. "Issue price" means the amount paid for an interest in the association or the value stated in a notice of allocation of patronage refunds.

2. An association organized under chapter 497, 498, or 499 may adopt this chapter pursuant to the following procedures:

a. The board must adopt a plan of conversion that specifies the changes in the articles to comply with this chapter, the affect of the conversion on the association's outstanding members' equity, and the option or options available to the equity holders who do not want to continue their investment in the association.

b. The members must approve the plan of conversion by the vote of two-thirds of the votes cast on a ballot in which a majority of all votes are cast.

3. a. The cooperative shall redeem all of the members' equity held by dissenting members at its issue price within one year after the conversion to this chapter is effective.

b. An equity holder who is not a voting member shall have the same rights as a dissenting member if the equity holder makes a demand for payment pursuant to paragraph "a" not later than the deadline for members to cast ballots on the vote to approve the plan of conversion.

c. The association shall notify all equity holders of their rights pursuant to paragraph "a" at the same time the association notifies the members of the member meeting to vote on the plan of conversion.

Sec. 34. NEW SECTION. 501.602 MERGER AND CONSOLIDATION.

A cooperative organized under this chapter may merge or consolidate with one or more other cooperatives organized under this chapter. The provisions of sections 499.61 through 499.70 shall apply to such a merger or consolidation.

Sec. 35. NEW SECTION. 501.603 SALE OF ASSETS.

1. A cooperative may, on the terms and conditions and for the consideration determined by the board, mortgage, pledge, or otherwise encumber any or all of its property.

2. A cooperative may sell, lease, exchange, or otherwise dispose of all, or substantially all, of its property, with or without the good will, on the terms and conditions and for the consideration determined by the board, which consideration may include the preferred stock of another cooperative, if the board recommends the proposed transaction to the members, and the members approve it by the vote of two-thirds of the votes cast on a ballot in which a majority of all votes are cast. The board may condition its submission of the proposed transaction on any basis.

Sec. 36. NEW SECTION. 501.604 DISSOLUTION.

The provisions of sections 490.1401 through 490.1440 shall apply to cooperatives in the same manner as they apply to corporations organized under chapter 490.

Approved March 21, 1996

CHAPTER 1011

NOTIFICATION REQUIREMENTS AND DECISION-MAKING ASSISTANCE PROGRAM REGARDING PREGNANT MINORS

S.F. 13

AN ACT relating to the establishment of a prospective minor parents decision-making assistance program, providing penalties, providing a repeal, and providing effective dates.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. NEW SECTION. 135L.1 DEFINITIONS.

As used in this chapter unless the context otherwise requires:

1. "Abortion" means an abortion as defined in chapter 146.
2. "Adult" means a person eighteen years of age or older.
3. "Aunt or uncle" means an aunt or uncle of the pregnant minor who is twenty-five years of age or older.
4. "Child-placing agency" means any agency, public, semipublic, or private, which represents itself as placing children, receiving children for placement, or actually engaging in placement of children and includes the department of human services.
5. "Court" means the juvenile court.
6. "Grandparent" means the parent of an individual who is the parent of the pregnant minor.
7. "Medical emergency" means a condition which, based upon a physician's judgment, necessitates an abortion to avert the pregnant minor's death, or for which a delay will create a risk of serious impairment of a major bodily function.
8. "Minor" means a person under eighteen years of age who has not been and is not married.
9. "Parent" means one parent or a legal guardian or custodian of a pregnant minor.
10. "Responsible adult" means an adult, who is not associated with an abortion provider, chosen by a pregnant minor to assist the minor in the decision-making process established in this chapter.