

CHAPTER 16**COOPERATIVE CORPORATIONS — MISCELLANEOUS PROVISIONS**

S.F. 292

AN ACT relating to cooperative corporations, by providing for the transfer of stock, the allocation of patronage dividends upon termination of membership, and dissolution.

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

Section 1. Section 501.501, subsection 2, Code 1997, is amended to read as follows:

2. A member ~~may~~ shall not 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.~~ A member may be restricted or limited from selling or otherwise transferring any other class of stock of the cooperative as provided by the cooperative's articles of incorporation or bylaws or an agreement executed between the cooperative and the member.

Sec. 2. Section 501.502, subsection 5, Code 1997, is amended to read as follows:

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: as follows:

a. A terminated member's current equity is less than two percent of the cooperative's total members' equity, the cooperative shall make this payment either redeem the terminated member's equity within one year after the termination of the membership or redeem the terminated member's equity in annual amounts of not less than twenty percent of the total amount provided that the entire amount must be redeemed within five years after the termination of the membership. However, if

b. 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 after the termination of the membership.

Sec. 3. Section 501.604, Code 1997, is amended to read as follows:

501.604 DISSOLUTION.

The provisions of sections 490.1401 through 490.1440 shall apply to cooperatives a cooperative in the same manner as they apply to corporations a corporation organized under chapter 490. However, notwithstanding any provision in those sections to the contrary, upon the cooperative's dissolution, the cooperative's assets shall first be used to pay expenses necessary to carry out the dissolution and liquidation of assets, then be used to pay the cooperative's obligations other than the payment of patronage dividends or stock issued as patronage dividends, and the remainder shall be paid in the manner set forth in the cooperative's articles of incorporation.

Approved April 3, 1997