

CHAPTER 1152

COOPERATIVES

S.F. 2404

AN ACT relating to cooperatives organized under Code chapter 501 and providing an effective date.

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

Section 1. Section 501.101, subsection 1, Code 1997, is amended to read as follows:

1. "Articles" means the cooperative's articles of ~~incorporation~~ association.

Sec. 2. Section 501.101, subsection 2, paragraph b, Code 1997, is amended to read as follows:

b. ~~An individual or general partnership that~~ A person who owns at least one hundred fifty acres of agricultural 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 that person is a natural person or a general partnership as organized under chapter 486 in which all partners are natural persons.

Sec. 3. Section 501.101, subsection 4, Code 1997, is amended to read as follows:

4. "Cooperative" means a cooperative ~~corporation~~ association organized under this chapter or converted to this chapter pursuant to section 501.601.

Sec. 4. Section 501.101, subsection 6, Code 1997, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. A general partnership as organized under chapter 486 in which all the partners are natural persons actively engaged in farming as provided in section 9H.1.

Sec. 5. Section 501.101, subsections 7 through 9, Code 1997, are amended to read as follows:

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

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

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

Sec. 6. Section 501.101, Code 1997, is amended by adding the following new subsections:

NEW SUBSECTION. 6A. "Interest" means a voting interest or other interest in a cooperative as described in the cooperative's articles of association.

NEW SUBSECTION. 7A. "Membership" means the interest established by a member owning a voting interest.

Sec. 7. Section 501.102, subsection 2, Code 1997, is amended to read as follows:

2. Unless its articles provide otherwise, a cooperative has perpetual duration and succession in its ~~corporate cooperative~~ 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~~ but not limited to, all of the following:

a. Sue and be sued, complain, and defend in its name.

b. Have a seal, which may be altered at will, and use it, or a facsimile of it, by impressing or affixing it or in any other manner reproducing it.

c. Make and amend bylaws, not inconsistent with its articles of association or with the laws of this state, for managing the business and regulating the affairs of the cooperative.

d. Purchase, receive, lease, or otherwise acquire, and own, hold, improve, use, and other-

wise deal with, real or personal property, or any legal or equitable interest in property, wherever located.

e. Sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of all or any part of its property.

f. Purchase, receive, subscribe for, or otherwise acquire, own, hold, vote, use, sell, mortgage, lend, pledge, or otherwise dispose of, and deal in and with shares or other interests in, or obligations of, any other entity.

g. Make contracts and guarantees, incur liabilities, borrow money, issue its notes, bonds, and other obligations, which may be convertible into or include the option to purchase other interests of the cooperative, and secure any of its obligations by mortgage or pledge of any of its property, franchises, or income.

h. Lend money, invest and reinvest its funds, and receive and hold real and personal property as security for repayment.

i. Be a promoter, partner, member, associate, or manager of any partnership, joint venture, trust, or other entity.

j. Conduct its business, locate offices, and exercise the powers granted by this chapter within or without this state.

k. Elect directors and appoint officers, employees, and agents of the cooperative, define their duties, fix their compensation, and lend them money and credit.

l. Pay pensions and establish pension plans, pension trusts, profit-sharing plans, bonus plans, and benefit or incentive plans for any or all of its current or former directors, officers, employees, and agents.

m. Make donations for the public welfare or for charitable, scientific, or educational purposes.

n. Transact any lawful business that will aid governmental policy.

o. Make payments or donations, or do any other act, not inconsistent with law, that furthers the business and affairs of the cooperative.

Sec. 8. Section 501.103, subsections 1, 2, and 5, Code Supplement 1997, are amended to read as follows:

1. Notwithstanding section 9H.4, any person or entity, subject to the limitations set forth in section 501.305, and subject to the cooperative's articles and bylaws, is permitted to own ~~stock~~ interests, including voting ~~stock~~ interests, in a cooperative.

2. 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~~ interests 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~~ interests 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.

5. In the event of a transfer of ~~stock~~ an interest in a cooperative 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 2 for a period of two years after the transfer.

Sec. 9. Section 501.105, subsection 2, Code 1997, is amended to read as follows:

2. Articles must be signed by all of the ~~incorporators~~ organizers; 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.

Sec. 10. Section 501.106, subsection 2, unnumbered paragraph 1, Code 1997, is amended to read as follows:

A ~~corporation~~ cooperative 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:

Sec. 11. Section 501.106, Code 1997, is amended by adding the following new subsections:

NEW SUBSECTION. 5. a. A registered agent may resign the agent's agency appointment by signing and delivering to the secretary of state for filing the signed original statement of resignation. The statement may include a statement that the registered office is also discontinued. The registered agent shall send a copy of the statement of resignation by certified mail to the cooperative at its principal office and to the registered office, if not discontinued. The registered agent shall certify to the secretary of state that the copies have been sent to the cooperative, including the date the copies were sent.

b. The agency appointment is terminated, and the registered office discontinued if so provided, on the date on which the statement was filed.

NEW SUBSECTION. 6. a. A cooperative's registered agent is the cooperative's agent for service of process, notice, or demand required or permitted by law to be served on the cooperative.

b. If a cooperative has no registered agent, or if the agent cannot with reasonable diligence be served, the cooperative may be served by registered or certified mail, return receipt requested, addressed to the secretary of the cooperative at its principal office. Service is perfected under this paragraph at the earliest of any of the following:

(1) The date that the cooperative receives the mail.

(2) The date shown on the return receipt, if signed on behalf of the cooperative.

(3) Five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed.

c. A cooperative may be served pursuant to this section or as provided in other provisions of this chapter, unless the manner of service is otherwise specifically provided for by statute.

Sec. 12. Section 501.202, subsection 1, paragraph a, Code 1997, is amended to read as follows:

a. The name, address, and occupation of each ~~incorporator~~ organizer.

Sec. 13. Section 501.202, subsection 2, paragraph d, Code 1997, is amended to read as follows:

d. The classes of ~~stock~~ interests and the authorized number of ~~shares~~ interests of each class.

Sec. 14. Section 501.306, Code 1997, is amended to read as follows:

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. 15. Section 501.403, subsection 2, paragraph e, Code 1997, is amended to read as follows:

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~~ cooperative's 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.

Sec. 16. Section 501.403, subsection 3, Code 1997, is amended to read as follows:

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 of the cooperative. 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. 17. Section 501.404, subsection 1, paragraph b, Code Supplement 1997, is amended to read as follows:

b. The material facts of the transaction and the director's interest were disclosed or known to the ~~shareholders~~ members entitled to vote and they authorized, approved, or ratified the transaction. For purposes of this paragraph, a conflict of interest transaction is authorized, approved, or ratified if it receives a majority of the votes entitled to be counted under this paragraph. Shares Voting interests owned by or voted under the control of a director who has a direct or indirect interest in the transaction, and ~~shares~~ voting interests owned by or voted under the control of an entity described in subsection 2, 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 paragraph. The vote of those ~~shares~~ voting interests, 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~~ members are present, that are entitled to be counted in a vote on the transaction under this paragraph constitutes a quorum for the purpose of taking action under this paragraph.

Sec. 18. Section 501.407, unnumbered paragraph 1, Code 1997, is amended to read as follows:

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

Sec. 19. Section 501.407, subsections 1 and 3, Code 1997, are amended to read as follows:

1. A breach of the duty of loyalty to the cooperative or its ~~shareholders~~ interest holders.
3. A transaction from which the director, officer, or ~~shareholder~~ interest holder derives an improper personal benefit.

PART B INDEMNIFICATION

Sec. 20. NEW SECTION. 501.411 DEFINITIONS.

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

1. "Cooperative" includes any domestic or foreign predecessor entity of a cooperative in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

2. "Director" means an individual who is or was a director of a cooperative or an individual who, while a director of a cooperative, is or was serving at the cooperative's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic cooperative, corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. A director is considered to be serving an employee benefit plan at the cooperative's request if the director's duties to the cooperative also impose duties on, or otherwise involve services by, that director to the plan or to participants in or beneficiaries of the plan. "Director" includes, unless the context requires otherwise, the estate or personal representative of a director.

3. "Expenses" include counsel fees.

4. "Liability" means the obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.

5. "Official capacity" means:

a. When used with respect to a director, the office of director in a cooperative.

b. When used with respect to an individual other than a director, as contemplated in section 501.417, the office in a cooperative held by the officer or the employment or agency relationship undertaken by the employee or agent on behalf of the cooperative.

"Official capacity" does not include service for any other foreign or domestic cooperative or any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise.

6. "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

7. "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

Sec. 21. NEW SECTION. 501.412 AUTHORITY TO INDEMNIFY.

1. Except as provided in subsection 4, a cooperative may indemnify an individual made a party to a proceeding because the individual is or was a director against liability incurred in the proceeding if all of the following apply:

a. The individual acted in good faith.

b. The individual reasonably believed either of the following:

(1) In the case of conduct in the individual's official capacity with the cooperative, that the individual's conduct was in the cooperative's best interests.

(2) In all other cases, that the individual's conduct was at least not opposed to the cooperative's best interests.

c. In the case of any criminal proceeding, the individual had no reasonable cause to believe the individual's conduct was unlawful.

2. A director's conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirement of subsection 1, paragraph "b", subparagraph (2).

3. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct described in this section.

4. A cooperative shall not indemnify a director under this section in either of the following circumstances:

a. In connection with a proceeding by or in the right of the cooperative in which the director was adjudged liable to the cooperative.

b. In connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by the director.

5. Indemnification permitted under this section in connection with a proceeding by or in the right of the cooperative is limited to reasonable expenses incurred in connection with the proceeding.

Sec. 22. NEW SECTION. 501.413 MANDATORY INDEMNIFICATION.

Unless limited by its articles of association, a cooperative shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because the director is or was a director of the cooperative against reasonable expenses incurred by the director in connection with the proceeding.

Sec. 23. NEW SECTION. 501.414 ADVANCE FOR EXPENSES.

1. A cooperative may pay for or reimburse the reasonable expenses incurred by a director

who is a party to a proceeding in advance of final disposition of the proceeding if any of the following apply:

a. The director furnishes the cooperative a written affirmation of the director's good faith belief that the director has met the standard of conduct described in section 501.412.

b. The director furnishes the cooperative a written undertaking, executed personally or on the director's behalf, to repay the advance if it is ultimately determined that the director did not meet the standard of conduct described in section 501.412.

c. A determination is made pursuant to section 501.416 that the facts then known to those making the determination would not preclude indemnification under this part.

2. The undertaking required by subsection 1, paragraph "b", must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment.

3. Determinations and authorizations of payments under this section shall be made in the manner specified in section 501.416.

Sec. 24. NEW SECTION. 501.415 COURT-ORDERED INDEMNIFICATION.

Unless a cooperative's articles of association provide otherwise, a director of the cooperative who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application, the court after giving any notice the court considers necessary may order indemnification if it determines either of the following:

1. The director is entitled to mandatory indemnification under section 501.413, in which case the court shall also order the cooperative to pay the director's reasonable expenses incurred to obtain court-ordered indemnification.

2. The director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director met the standard of conduct set forth in section 501.412 or was adjudged liable as described in section 501.412, subsection 4, but if the director was adjudged so liable the director's indemnification is limited to reasonable expenses incurred.

Sec. 25. NEW SECTION. 501.416 DETERMINATION AND AUTHORIZATION OF INDEMNIFICATION.

1. A cooperative shall not indemnify a director under section 501.412 unless authorized in the specific case after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in section 501.412.

2. The determination shall be made by any of the following:

a. By the board of directors by majority vote of a quorum consisting of directors not at the time parties to the proceeding.

b. If a quorum cannot be obtained under paragraph "a", by majority vote of a committee duly designated by the board of directors, in which designation directors who are parties may participate, consisting solely of two or more directors not at the time parties to the proceeding.

c. By special legal counsel.

(1) The special legal counsel shall be selected by the board of directors or its committee in the manner prescribed in paragraph "a" or "b".

(2) If a quorum of the board of directors cannot be obtained under paragraph "a" and a committee cannot be designated under paragraph "b", the special legal counsel shall be selected by majority vote of the full board of directors, in which selection directors who are parties may participate.

d. By the members, but voting interests owned by or voted under the control of directors who are at the time parties to the proceeding shall not be voted on the determination.

3. Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible,

except that if the determination is made by special legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses shall be made by those entitled under subsection 2, paragraph "c", to select counsel.

Sec. 26. NEW SECTION. 501.417 INDEMNIFICATION OF OFFICERS, EMPLOYEES, AND AGENTS.

Unless a cooperative's articles of association provide otherwise, all of the following apply:

1. An officer of the cooperative who is not a director is entitled to mandatory indemnification under section 501.413, and is entitled to apply for court-ordered indemnification under section 501.415, in each case to the same extent as a director.

2. The cooperative may indemnify and advance expenses under this part to an officer, employee, or agent of the cooperative who is not a director to the same extent as to a director.

3. A cooperative may also indemnify and advance expenses to an officer, employee, or agent who is not a director to the extent consistent with law that may be provided by its articles of association, bylaws, general or specific action of its board of directors, or contract.

Sec. 27. NEW SECTION. 501.418 INSURANCE.

A cooperative may purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the cooperative, or who, while a director, officer, employee, or agent of the cooperative, is or was serving at the request of the cooperative as a director, officer, partner, trustee, employee, or agent of another foreign or domestic cooperative, corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by that individual in that capacity or arising from the individual's status as a director, officer, employee, or agent, whether or not the cooperative would have power to indemnify that individual against the same liability under section 501.412 or 501.413.

Sec. 28. NEW SECTION. 501.419 APPLICATION OF THIS PART.

Except as limited in section 501.412, subsection 4, paragraph "a", and subsection 5 with respect to proceedings by or in the right of the cooperative, the indemnification and advancement of expenses provided by, or granted pursuant to, sections 501.411 through 501.418 are not exclusive of any other rights to which persons seeking indemnification or advancement of expenses are entitled under a provision in the articles of association or bylaws, agreements, vote of the members or disinterested directors, or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding the office. However, such provisions, agreements, votes, or other actions shall not provide indemnification for a breach of a director's duty of loyalty to the cooperative or its interest holders, for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of the law, or for a transaction from which the person seeking indemnification derives an improper personal benefit.

Sec. 29. Section 501.501, Code Supplement 1997, is amended to read as follows:
501.501 ISSUANCE AND TRANSFER OF STOCK INTERESTS.

1. A cooperative may issue the number of shares interests of each class authorized by its articles. A cooperative may issue fractional shares interests. Stock Interests may be represented by certificates or by entry on the cooperative's stock interest record books.

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

3. A cooperative may acquire its own stock interests, and shares interests so acquired constitute authorized but unissued shares interests.

Sec. 30. Section 501.502, subsection 2, paragraph a, Code Supplement 1997, is amended to read as follows:

a. The member has attempted to transfer ~~stock~~ any interest to a person who is not a member and has not been approved for membership.

Sec. 31. Section 501.502, subsection 4, Code Supplement 1997, is amended to read as follows:

4. The cooperative shall redeem, without interest, the voting ~~stock~~ interest of a terminated member within one year after the termination of the membership for the fair market value of the ~~stock~~ interest. If the amount originally paid by the member for the voting ~~stock~~ interest was less than ten percent of the total amount the member paid for all classes of ~~stock~~ interests, the cooperative may redeem the voting ~~stock~~ interest for its issue price if the cooperative's articles of ~~incorporation~~ association grant the cooperative this authority.

Sec. 32. Section 501.502, subsection 5, unnumbered paragraph 1, Code Supplement 1997, is amended to read as follows:

The cooperative shall redeem, without interest, all of the terminated member's allocated patronage refunds and preferred ~~stock~~ interests originally issued as allocated patronage refunds for the issue price as follows:

Sec. 33. Section 501.503, subsections 1 and 4, Code 1997, are amended to read as follows:

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

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~~ interests, or a combination of cash and ~~stock~~ interests, as determined by the board.

Sec. 34. Section 501.603, subsection 2, Code 1997, is amended to read as follows:

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 interests 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.

PART B
MERGER AND CONSOLIDATION BETWEEN COOPERATIVES
ORGANIZED UNDER THIS CHAPTER

Sec. 35. NEW SECTION. 501.611 DEFINITIONS.

When used in this part, unless the context otherwise requires:

1. "Consolidation" means the uniting of two or more cooperatives organized under this chapter into one cooperative organized under this chapter, in such manner that a new cooperative is formed, and the new cooperative absorbs the others, which cease to exist as separate entities.

2. "Dissenting member" means a voting member who votes in opposition to the plan of merger or consolidation and who makes a demand for payment of the fair value under section 501.615.

3. "Fair value" means the cash price that would be paid by a willing buyer to a willing seller, neither being under any compulsion to buy or sell.

4. "Issue price" means the amount paid for an interest in the old cooperative or the amount stated in a notice of allocation of patronage distributions.

5. "Merger" means the uniting of two or more cooperatives organized under this chapter into one cooperative organized under this chapter, in such manner that one of the merging associations continues to exist and absorbs the others, which cease to exist as entities. "Merger" does not include the acquisition, by purchase or otherwise, of the assets of one cooperative by another, unless the acquisition only becomes effective by the filing of articles of merger by the cooperatives and the issuance of a certificate of merger pursuant to sections 501.617 and 501.618.

6. "New cooperative" is the cooperative resulting from the consolidation of two or more cooperatives organized under this chapter.

7. "Old cooperative" means the cooperative in which the member owns or owned a membership prior to merger or consolidation.

8. "Surviving cooperative" is the cooperative resulting from the merger of two or more cooperatives organized under this chapter.

Sec. 36. NEW SECTION. 501.612 MERGER.

Any two or more cooperatives may merge into one cooperative in the manner provided in this section. The board of directors of each cooperative shall, by resolution adopted by a majority vote of all members of each board, approve a plan of merger which shall set forth all of the following:

1. The names of the cooperatives proposing to merge and the name of the surviving cooperative.
2. The terms and conditions of the proposed merger.
3. A statement of any changes in the articles of association of the surviving cooperative.
4. Other provisions deemed necessary or desirable.

Sec. 37. NEW SECTION. 501.613 CONSOLIDATION.

Any two or more cooperatives may be consolidated into a new cooperative as provided in this section. The board of directors of each cooperative shall, by resolution adopted by a majority vote of all members of each board, approve a plan of consolidation setting forth:

1. The names of the cooperatives proposing to consolidate and the name of the new cooperative.
2. The terms and conditions of the proposed consolidation.
3. With respect to the new cooperative, all of the statements required to be set forth in articles of association for cooperatives.
4. Other provisions deemed necessary or desirable.

Sec. 38. NEW SECTION. 501.614 VOTE OF MEMBERS.

1. The board of directors of a cooperative, upon approving a plan of merger or consolidation, shall, by motion or resolution, direct that the plan be submitted to a vote at a meeting of members, which may be either an annual or special meeting. Written notice shall be given not less than twenty days prior to the meeting, either personally or by mail, to each voting member of record. The notice shall state the time, place, and purpose of the meeting, and a summary of the plan of merger or consolidation shall be included in or enclosed with the notice.

2. At the meeting, a ballot of the members who are entitled to vote in the affairs of the association shall be taken on the proposed plan of merger or consolidation. The plan of merger or consolidation shall be approved if two-thirds of the members vote affirmatively on

a ballot in which a majority of all voting members participate. Voting may be by mail ballot notwithstanding any contrary provision in the articles of association or bylaws.

Sec. 39. NEW SECTION. 501.615 OBJECTION OF MEMBERS — PURCHASE OF INTERESTS UPON DEMAND.

1. If a member of a cooperative which is a party to a merger or consolidation files with the cooperative, prior to or at the meeting of members at which the plan is submitted to a vote, a written objection to the plan of merger or consolidation, and votes in opposition to the plan, and the member, within twenty days after the merger or consolidation is approved by the other members, makes written demand on the surviving or new cooperative for payment of the fair value of that member's interest as of the day prior to the date on which the vote was taken approving the merger or consolidation, the surviving or new cooperative shall pay to the member, upon surrender of that person's certificate of membership or interests in the cooperative, the fair value of that person's interest as provided in section 501.616. A member who fails to make demand within the twenty-day period is conclusively presumed to have consented to the merger or consolidation and is bound by its terms.

2. In the event that a dissenting member does business with the surviving or new cooperative before payment has been made for that person's membership, the dissenting member is deemed to have consented to the merger or consolidation and to have waived all further rights as a dissenting member.

Sec. 40. NEW SECTION. 501.616 VALUE DETERMINED.

1. Within twenty days after the merger or consolidation is effected, the surviving or new cooperative shall make a written offer to each dissenting member to pay a specified sum deemed by the surviving or new cooperative to be the fair value of that dissenting member's interest in the old cooperative. This offer shall be accompanied by a balance sheet of the old cooperative as of the latest available date, a profit and loss statement of the old cooperative for the twelve-month period ending on the date of the balance sheet, and a list of the dissenting member's interests in the old cooperative. If the dissenting member does not agree that the sum stated in the notice represents the fair value of the member's interest, then the member may file a written objection with the surviving or new cooperative within twenty days after receiving the notice. A dissenting member who fails to file the objection within the twenty-day period is conclusively presumed to have consented to the fair value stated in the notice.

2. If the surviving or new cooperative receives any objections to fair values, then within ninety days after the merger or consolidation is effected, the surviving or new cooperative shall file a petition in district court asking for a finding and determination of the fair value of each type of equity. The action shall be tried as an equitable action.

3. The fair value of a dissenting member's interest in the old cooperative shall be determined as of the day preceding the merger or consolidation by taking the lesser of either the issue price of the dissenting member's membership, deferred patronage, and any other interests in the cooperative, or the amount determined by subtracting the old cooperative's debts from the fair market value of the old cooperative's assets, dividing the remainder by the total issue price of all memberships, deferred patronage and all other interests, and then multiplying the quotient from this division by the total issue price of a dissenting member's membership, deferred patronage, and other interests.

4. The surviving or new cooperative shall pay to each dissenting member in cash within sixty days after the merger or consolidation the amount paid in cash by the dissenting member for that member's interest in the old cooperative. The surviving or new cooperative shall pay the remainder of each dissenting member's fair value in ten annual equal payments. The final payment must be made not later than fifteen years after the merger or consolidation. The value of the deferred patronage or interests issued to evidence deferred patronage shall be considered a liability of the surviving or new cooperative as reflected in the accounts of the surviving or new cooperative until the value of the deferred patronage or

interests issued to evidence deferred patronage is paid in full to the dissenting member. A dissenting member who is a natural person who dies before receiving the fair value shall have all of the person's fair value paid with the same priority as if the person was a member at the time of death.

Sec. 41. NEW SECTION. 501.617 ARTICLES OF MERGER OR CONSOLIDATION.

Upon approval, articles of merger or articles of consolidation shall be executed by each cooperative as provided in section 501.105. The articles must include the following:

1. The plan of merger or the plan of consolidation.
2. As to each cooperative, the number of members.
3. As to each cooperative, the number of members who voted for and against the plan at the meeting called for that purpose.

The articles of merger or articles of consolidation shall be delivered to the secretary of state for filing.

The secretary of state, upon the filing of articles of merger or articles of consolidation, shall issue a certificate of merger or a certificate of consolidation and send the certificate to the surviving or new cooperative, or to its representative.

Sec. 42. NEW SECTION. 501.618 WHEN EFFECTIVE — EFFECT.

A merger or consolidation shall become effective upon the date that the certificate of merger or the certificate of consolidation is issued by the secretary of state, or the effective date specified in the articles of merger or articles of consolidation, whichever is later.

When a merger or consolidation has become effective:

1. The several cooperatives which are parties to the plan of merger or consolidation shall be a single cooperative, which, in the case of a merger, shall be that cooperative designated in the plan of merger as the surviving cooperative, and, in the case of consolidation, shall be that cooperative designated in the plan of consolidation as the new cooperative.

2. The separate existence of all cooperatives which are parties to the plan of merger or consolidation, except the surviving or new cooperative, shall cease.

3. The surviving or new cooperative shall have all the rights, privileges, immunities, and powers and shall be subject to all the duties and liabilities of a cooperative organized under this chapter.

4. The surviving or new cooperative shall possess all the rights, privileges, immunities, and franchises, public as well as private, of each of the merging or consolidating cooperatives.

5. All property, real, personal, and mixed, and all debts due on whatever account, including all choses in action, and all and every other interest, of or belonging to or due to each of the cooperatives merged or consolidated, shall be transferred to and vested in the surviving or new cooperative without further act or deed. The title to any real estate, or any interest in real estate vested in any of the cooperatives merged or consolidated, shall not revert or be in any way impaired by reason of the merger or consolidation.

6. A surviving or new cooperative shall be responsible and liable for all obligations and liabilities of each of the cooperatives merged or consolidated.

7. Any claim existing or action or proceeding pending by or against any of the cooperatives merged or consolidated may be prosecuted as if the merger or consolidation had not taken place, or the surviving or new cooperative may be substituted for the merged or consolidated cooperative. Neither the rights of creditors nor any liens upon the property of any cooperative shall be impaired by a merger or consolidation.

8. In the case of a merger, the articles of association of the surviving cooperative shall be deemed to be amended to the extent that changes in its articles of association are stated in the plan of merger. In the case of a consolidation, the statements set forth in the articles of consolidation which are required or permitted to be set forth in the articles of association of a cooperative shall be deemed to be the original articles of association of the new cooperative.

9. The aggregate amount of the net assets of the merging or consolidating cooperative which was available for the payment of distributions immediately prior to the merger or consolidation, to the extent that the amount is not transferred to stated capital by the issuance of interests or otherwise, shall continue to be available for the payment of distributions by the surviving or new cooperative.

Sec. 43. NEW SECTION. 501.619 ABANDONMENT BEFORE FILING.

At any time prior to the filing of the articles of merger or consolidation, the merger or consolidation may be abandoned pursuant to provisions set forth in the plan of merger or consolidation.

SUBCHAPTER VII
RECORDS AND REPORTS
PART A
RECORDS

Sec. 44. NEW SECTION. 501.701 RECORDS.

1. A cooperative shall keep as permanent records minutes of all meetings of its members and board of directors, a record of all actions taken by the members or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the cooperative.

2. A cooperative shall maintain appropriate accounting records.

3. A cooperative or its agent shall maintain a record of its interest holders in a form that permits preparation of a list of the names and addresses of all interest holders in alphabetical order by class of interests showing the number and class of interests held by each.

4. A cooperative shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

5. A cooperative shall keep a copy of the following records:

a. Its articles or restated articles of association and all amendments to them currently in effect.

b. Its bylaws or restated bylaws and all amendments to them currently in effect.

c. Resolutions adopted by its board of directors creating one or more classes or series of interests, and fixing their relative rights, preferences, and limitations, if the interests issued pursuant to those resolutions are outstanding.

d. The minutes of all members' meetings, and records of all action taken by members without a meeting, for the past three years.

e. All written communications to interest holders generally within the past three years, including the financial statements furnished for the past three years under section 501.711.

f. A list of the names and business addresses of its current directors and officers.

g. Its most recent biennial* report delivered to the secretary of state under section 501.713.

Sec. 45. NEW SECTION. 501.702 INSPECTION OF RECORDS BY INTEREST HOLDERS.

1. An interest holder of a cooperative is entitled to inspect and copy, during regular business hours at the cooperative's principal office, any of the records of the cooperative described in section 501.701, subsection 5, if the interest holder gives the cooperative written notice of the interest holder's demand at least five business days before the date on which the interest holder wishes to inspect and copy.

2. An interest holder of a cooperative is entitled to inspect and copy, during regular business hours at a reasonable location specified by the cooperative, any of the following records of the cooperative if the interest holder meets the requirements of subsection 3 and gives the cooperative written notice of the interest holder's demand at least five business days before the date on which the interest holder wishes to inspect and copy any of the following:

* The word "annual" probably intended

a. Excerpts from minutes of any meeting of the board of directors, records of any action of a committee of the board of directors while acting in place of the board of directors on behalf of the cooperative, minutes of any meeting of the members, and records of action taken by the members or board of directors without a meeting, to the extent not subject to inspection under subsection 1 of this section.

b. Accounting records of the cooperative.

c. The record of interest holders.

3. An interest holder may inspect and copy the records described in subsection 2 only if:

a. The interest holder's demand is made in good faith and for a proper purpose.

b. The interest holder describes with reasonable particularity the interest holder's purpose and the records the interest holder desires to inspect.

c. The records are directly connected with the interest holder's purpose.

4. The right of inspection granted by this section shall not be abolished or limited by a cooperative's articles of association or bylaws.

5. This section does not affect either of the following:

a. The right of a member to obtain information under section 501.702 or the right of an interest holder to obtain information, if the interest holder is in litigation with the cooperative, to the same extent as any other litigant.

b. The power of a court, independently of this chapter, to compel the production of cooperative records for examination.

Sec. 46. NEW SECTION. 501.703 SCOPE OF INSPECTION RIGHT.

1. An interest holder's agent or attorney has the same inspection and copying rights as the interest holder the agent or attorney represents.

2. The right to copy records under section 501.702 includes, if reasonable, the right to receive copies made by photographic, xerographic, or other technological means.

3. The cooperative may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the interest holder. The charge shall not exceed the estimated cost of production or reproduction of the records.

4. The cooperative may comply with an interest holder's demand to inspect the record of interest holders under section 501.702, subsection 2, paragraph "c", by providing the interest holder with a list of its interest holders that was compiled no earlier than the date of the interest holder's demand.

Sec. 47. NEW SECTION. 501.704 COURT-ORDERED INSPECTION.

1. If a cooperative does not allow an interest holder who complies with section 501.702, subsection 1, to inspect and copy any records required by that subsection to be available for inspection, the district court of the county where the cooperative's principal office or, if none in this state, its registered office is located may summarily order inspection and copying of the records demanded at the cooperative's expense upon application of the interest holder.

2. If a cooperative does not within a reasonable time allow an interest holder to inspect and copy any other records, the interest holder who complies with section 501.702, subsections 2 and 3, may apply to the district court in the county where the cooperative's principal office or, if not in this state, its registered office is located for an order to permit inspection and copying of the records demanded. The court shall dispose of an application under this subsection on an expedited basis.

3. If the court orders inspection and copying of the records demanded, it shall also order the cooperative to pay the interest holder's costs, including reasonable counsel fees, incurred to obtain the order unless the cooperative proves that it refused inspection in good faith because it had a reasonable basis for doubt about the right of the interest holder to inspect the records demanded.

4. If the court orders inspection and copying of the records demanded, it may impose reasonable restrictions on the use or distribution of the records by the demanding interest holder.

PART B
REPORTS

Sec. 48. NEW SECTION. 501.711 FINANCIAL STATEMENTS FOR INTEREST HOLDERS.

A cooperative shall prepare annual financial statements, which may be consolidated or combined statements of the cooperative and one or more of its subsidiaries, as appropriate, that include a balance sheet as of the end of the fiscal year and an income statement for that year. Upon written request from an interest holder, a cooperative, at its expense, shall furnish to that interest holder the financial statements requested. If the annual financial statements are reported upon by a public accountant, the report must accompany the financial statements.

Sec. 49. NEW SECTION. 501.712 OTHER REPORTS TO INTEREST HOLDERS.

1. If a cooperative indemnifies or advances expenses to a director under sections 501.412 through 501.415 in connection with a proceeding by or in the right of the cooperative, the cooperative shall report the indemnification or advance in writing to the members with or before the notice of the next members' meeting.

2. If a cooperative issues or authorizes the issuance of interests for promissory notes or for promises to render services in the future, the cooperative shall report in writing to the members the number of interests authorized or issued, and the consideration received by the cooperative, with or before the notice of the next members' meeting.

Sec. 50. NEW SECTION. 501.713 ANNUAL REPORT FOR SECRETARY OF STATE.

1. Each cooperative authorized to transact business in this state shall deliver to the secretary of state for filing an annual report that sets forth all of the following:

- a. The name of the cooperative.
- b. The address of its registered office and the name of its registered agent at that office in this state, together with the consent of any new registered agent.
- c. The address of its principal office.
- d. The names and addresses of the president, secretary, treasurer, and one member of the board of directors.

2. Information in the annual report must be current as of the first day of January of the year in which the report is due. The report shall be executed on behalf of the cooperative and signed as provided in section 501.105 or by any other person authorized by the board of directors of the cooperative.

3. The first annual report shall be delivered to the secretary of state between January 1 and April 1 of the first even-numbered year following the calendar year in which a cooperative was organized. Subsequent annual reports must be delivered to the secretary of state between January 1 and April 1 of the following calendar years. A filing fee for the annual report shall be determined by the secretary of state.

4. If an annual report does not contain the information required by this section, the secretary of state shall promptly notify the reporting cooperative in writing and return the report to the cooperative for correction.

5. The secretary of state may provide for the change of registered office or registered agent on the form prescribed by the secretary of state for the annual report, provided that the form contains the information required in section 501.106. If the secretary of state determines that an annual report does not contain the information required by this section but otherwise meets the requirements of section 501.106 for the purpose of changing the registered office or registered agent, the secretary of state shall file the statement of change of registered office or registered agent, effective as provided in section 501.105, before returning the biennial* report to the cooperative as provided in this section. A statement of change of registered office or agent pursuant to this subsection shall be executed by a person authorized to execute the annual report.

* The word "annual" probably intended

DIVISION VIII
DISSOLUTION
PART A
GENERAL

Sec. 51. NEW SECTION. 501.801 DISSOLUTION BY ORGANIZERS OR INITIAL DIRECTORS.

A majority of the organizers or initial directors of a cooperative that has not issued interests or has not commenced business may dissolve the cooperative by delivering to the secretary of state for filing articles of dissolution that set forth all of the following:

1. The name of the cooperative.
2. The date of its organization.
3. Either of the following:
 - a. That none of the cooperative's interests have been issued.
 - b. That the cooperative has not commenced business.
4. That no debt of the cooperative remains unpaid.
5. That the net assets of the cooperative remaining after winding up have been distributed in accordance with this chapter and the articles of association of the cooperative.
6. That a majority of the organizers or initial directors authorized the dissolution.

Sec. 52. NEW SECTION. 501.802 DISSOLUTION BY BOARD OF DIRECTORS AND MEMBERS.

1. A cooperative's board of directors may propose dissolution for submission to the members.
2. For a proposal to dissolve to be adopted both of the following must apply:
 - a. The board of directors must recommend dissolution to the members unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the members.
 - b. The members entitled to vote must approve the proposal to dissolve as provided in subsection 5.
3. The board of directors may condition its submission of the proposal for dissolution on any basis.
4. The cooperative shall notify each member of a meeting to consider dissolution in accordance with section 501.302. The notice must also state that the purpose, or one of the purposes, of the meeting is to consider dissolving the cooperative.
5. Unless the articles of association or the board of directors acting pursuant to subsection 3 require a greater vote or a vote by voting groups, the proposal to dissolve must be approved by a majority of all the votes entitled to be cast on that proposal in order to be adopted.

Sec. 53. NEW SECTION. 501.803 ARTICLES OF DISSOLUTION.

1. At any time after dissolution is authorized, the cooperative may dissolve by delivering to the secretary of state for filing articles of dissolution setting forth all of the following:
 - a. The name of the cooperative.
 - b. The date dissolution was authorized.
 - c. If dissolution was approved by the members, both of the following:
 - (1) The number of votes entitled to be cast on the proposal to dissolve.
 - (2) Either the total number of votes cast for and against dissolution or the total number of undisputed votes cast for dissolution and a statement that the number cast for dissolution was sufficient for approval.
2. A cooperative is dissolved upon the effective date of its articles of dissolution.

Sec. 54. NEW SECTION. 501.804 REVOCATION OF DISSOLUTION.

1. A cooperative may revoke its dissolution within one hundred twenty days of the effective date of the dissolution.

2. Revocation of dissolution must be authorized in the same manner as the dissolution was authorized unless that authorization permitted revocation by action of the board of directors alone, in which event the board of directors may revoke the dissolution without member action.

3. After the revocation of dissolution is authorized, the cooperative may revoke the dissolution by delivering to the secretary of state for filing articles of revocation of dissolution, together with a copy of its articles of dissolution, that set forth all of the following:

- a. The name of the cooperative.
- b. The effective date of the dissolution that was revoked.
- c. The date that the revocation of dissolution was authorized.
- d. If the cooperative's board of directors or organizers revoked the dissolution, a statement to that effect.
- e. If the cooperative's board of directors revoked a dissolution authorized by the members, a statement that revocation was permitted by action by the board of directors alone pursuant to that authorization.

f. If member action was required to revoke the dissolution, the information required by section 501.803, subsection 1, paragraph "c".

4. Revocation of dissolution is effective upon the effective date of the articles of revocation of dissolution.

5. When the revocation of dissolution is effective, it relates back to and takes effect as of the effective date of the dissolution as if the dissolution had never occurred.

Sec. 55. NEW SECTION. 501.805 EFFECT OF DISSOLUTION.

1. A dissolved cooperative continues its existence but shall not carry on any business except that appropriate to wind up and liquidate its business and affairs, including any of the following:

- a. Collecting its assets.
- b. Disposing of its properties that will not be distributed in kind in accordance with this chapter and the cooperative's articles of association.
- c. Discharging or making provision for discharging its liabilities.
- d. Distributing its remaining property in accordance with this chapter and the cooperative's articles of association.

e. Doing every other act necessary to wind up and liquidate its business and affairs.

2. Dissolution of a cooperative does not do any of the following:

- a. Transfer title to the cooperative's property.
- b. Prevent transfer of its interests, although the authorization to dissolve may provide for closing the cooperative's interest transfer records.
- c. Subject its directors or officers to standards of conduct different from those prescribed in section 501.406.
- d. Change quorum or voting requirements for its board of directors or members; change provisions for selection, resignation, or removal of its directors or officers or both; or change provisions for amending its bylaws.
- e. Prevent commencement of a proceeding by or against the cooperative in its name.
- f. Abate or suspend a proceeding pending by or against the cooperative on the effective date of dissolution.
- g. Terminate the authority of the registered agent of the cooperative.

Sec. 56. NEW SECTION. 501.805A DISTRIBUTION OF ASSETS.

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 deferred patronage or interests issued as deferred patronage, and the remainder shall be paid in the manner set forth in the cooperative's articles of association.

Sec. 57. NEW SECTION. 501.806 KNOWN CLAIMS AGAINST DISSOLVED COOPERATIVE.

1. A dissolved cooperative may dispose of the known claims against it by following the procedure described in this section.

2. The dissolved cooperative shall notify its known claimants in writing of the dissolution at any time after the effective date of the dissolution. The written notice must do all of the following:

a. Describe information that must be included in a claim.

b. Provide a mailing address where a claim may be sent.

c. State the deadline, which shall not be fewer than one hundred twenty days from the effective date of the written notice, by which the dissolved cooperative must receive the claim.

d. State that the claim will be barred if not received by the deadline.

3. A claim against the dissolved cooperative is barred if either of the following occur:

a. A claimant who was given written notice under subsection 2 does not deliver the claim to the dissolved cooperative by the deadline.

b. A claimant whose claim was rejected by the dissolved cooperative does not commence a proceeding to enforce the claim within ninety days from the effective date of the rejection notice.

4. For purposes of this section, "claim" does not include a contingent liability or a claim based on an event occurring after the effective date of dissolution.

Sec. 58. NEW SECTION. 501.807 UNKNOWN CLAIMS AGAINST DISSOLVED COOPERATIVE.

1. A dissolved cooperative may also publish notice of its dissolution and request that persons with claims against the cooperative present them in accordance with the notice.

2. The notice must meet all of the following requirements:

a. Be published one time in a newspaper of general circulation in the county where the dissolved cooperative's principal office or, if not in this state, its registered office is or was last located.

b. Describe the information that must be included in a claim and provide a mailing address where the claim may be sent.

c. State that a claim against the cooperative will be barred unless a proceeding to enforce the claim is commenced within five years after the publication of the notice.

3. If the dissolved cooperative publishes a newspaper notice in accordance with subsection 2, the claim of each of the following claimants is barred unless the claimant commences a proceeding to enforce the claim against the dissolved cooperative within five years after the publication date of the newspaper notice:

a. A claimant who did not receive written notice under section 501.806.

b. A claimant whose claim was timely sent to the dissolved cooperative but not acted on.

c. A claimant whose claim is contingent or based on an event occurring after the effective date of dissolution.

4. A claim may be enforced under this section in either of the following ways:

a. Against the dissolved cooperative, to the extent of its undistributed assets.

b. If the assets have been distributed in liquidation, against an interest holder of the dissolved cooperative to the extent of the interest holder's pro rata share of the claim or the cooperative assets distributed to the interest holder in liquidation, whichever is less, but an interest holder's total liability for all claims under this section shall not exceed the total amount of assets distributed to the interest holder in liquidation.

PART B
ADMINISTRATIVE DISSOLUTION

Sec. 59. NEW SECTION. 501.811 GROUNDS FOR ADMINISTRATIVE DISSOLUTION.

The secretary of state may commence a proceeding under section 501.812 to administratively dissolve a cooperative if any of the following apply:

1. The cooperative has not delivered an annual report to the secretary of state in a form that meets the requirements of section 501.713, within sixty days after it is due, or has not paid the filing fee as determined by the secretary of state, within sixty days after it is due.
2. The cooperative is without a registered agent or registered office in this state for sixty days or more.
3. The cooperative does not notify the secretary of state within sixty days that its registered agent or registered office has been changed, that its registered agent has resigned, or that its registered office has been discontinued.
4. The cooperative's period of duration stated in its articles of association expires.

Sec. 60. NEW SECTION. 501.812 PROCEDURE FOR AND EFFECT OF ADMINISTRATIVE DISSOLUTION.

1. If the secretary of state determines that one or more grounds exist under section 501.811 for dissolving a cooperative, the secretary of state shall serve the cooperative with written notice of the secretary of state's determination under section 501.106.

2. If the cooperative does not correct each ground for dissolution or demonstrate to the reasonable satisfaction of the secretary of state that each ground determined by the secretary of state does not exist within sixty days after service of the notice is perfected under section 501.106, the secretary of state shall administratively dissolve the cooperative by signing a certificate of dissolution that recites the ground or grounds for dissolution and its effective date. The secretary of state shall file the original of the certificate and serve a copy on the cooperative under section 501.106.

3. A cooperative administratively dissolved continues its existence but shall not carry on any business except that necessary to wind up and liquidate its business and affairs under section 501.805 and notify claimants under sections 501.806 and 501.807.

4. The administrative dissolution of a cooperative does not terminate the authority of its registered agent.

5. The secretary of state's administrative dissolution of a cooperative pursuant to this section appoints the secretary of state the cooperative's agent for service of process in any proceeding based on a cause of action which arose during the time the cooperative was authorized to transact business in this state. Service of process on the secretary of state under this subsection is service on the cooperative. Upon receipt of process, the secretary of state shall serve a copy of the process on the cooperative as provided in section 501.106. This subsection does not preclude service on the cooperative's registered agent, if any.

Sec. 61. NEW SECTION. 501.813 REINSTATEMENT FOLLOWING ADMINISTRATIVE DISSOLUTION.

1. A cooperative administratively dissolved under section 501.812 may apply to the secretary of state for reinstatement within two years after the effective date of dissolution. The application must meet all of the following requirements:

- a. Recite the name of the cooperative at its date of dissolution and the effective date of its administrative dissolution.
- b. State that the ground or grounds for dissolution have been eliminated.
- c. State a name that satisfies the requirements of section 501.104.
- d. State the federal tax identification number of the cooperative.

2. a. The secretary of state shall refer the federal tax identification number contained in the application for reinstatement to the department of revenue and finance. The department of revenue and finance shall report to the secretary of state the tax status of the cooperative. If the department reports to the secretary of state that a filing delinquency or liability exists

against the cooperative, the secretary of state shall not cancel the certificate of dissolution until the filing delinquency or liability is satisfied.

b. If the secretary of state determines that the application contains the information required by subsection 1, and that a delinquency or liability reported pursuant to paragraph "a" has been satisfied, and that the information is correct, the secretary of state shall cancel the certificate of dissolution and prepare a certificate of reinstatement that recites the secretary of state's determination and the effective date of reinstatement, file the original of the certificate, and serve a copy on the cooperative under section 501.106. If the name of the cooperative as provided in subsection 1, paragraph "c", is different than the name in subsection 1, paragraph "a", the certificate of reinstatement shall constitute an amendment to the articles of association insofar as it pertains to the name.

3. When the reinstatement is effective, it relates back to and takes effect as of the effective date of the administrative dissolution as if the administrative dissolution had never occurred.

Sec. 62. NEW SECTION. 501.814 APPEAL FROM DENIAL OF REINSTATEMENT.

1. If the secretary of state denies a cooperative's application for reinstatement following administrative dissolution, the secretary of state shall serve the cooperative under section 501.106 with a written notice that explains the reason or reasons for denial.

2. The cooperative may appeal the denial of reinstatement to the district court within thirty days after service of the notice of denial is perfected. The cooperative appeals by petitioning the court to set aside the dissolution and attaching to the petition copies of the secretary of state's certificate of dissolution, the cooperative's application for reinstatement, and the secretary of state's notice of denial.

3. The court may summarily order the secretary of state to reinstate the dissolved cooperative or may take other action the court considers appropriate.

4. The court's final decision may be appealed as in other civil proceedings.

PART C
JUDICIAL DISSOLUTION

Sec. 63. NEW SECTION. 501.821 GROUNDS FOR JUDICIAL DISSOLUTION.

The district court may dissolve a cooperative in any of the following ways:

1. A proceeding by the attorney general, if it is established that either of the following apply:

a. The cooperative obtained its articles of association through fraud.

b. The cooperative has continued to exceed or abuse the authority conferred upon it by law.

2. A proceeding by a member if it is established that any of the following conditions exist:

a. The directors are deadlocked in the management of the cooperative's affairs, the members are unable to break the deadlock, and either irreparable injury to the cooperative is threatened or being suffered, or the business and affairs of the cooperative can no longer be conducted to the advantage of the interest holders generally, because of the deadlock.

b. The directors or those in control of the cooperative have acted, are acting, or will act in a manner that is illegal, oppressive, or fraudulent.

c. The members are deadlocked in voting power and have failed, for a period that includes at least two consecutive annual meeting dates, to elect successors to directors whose terms have expired.

d. The cooperative's assets are being misapplied or wasted.

3. A proceeding by a creditor if it is established that either of the following apply:

a. The creditor's claim has been reduced to judgment, the execution on the judgment returned unsatisfied, and the cooperative is insolvent.

b. The cooperative has admitted in writing that the creditor's claim is due and owing and the cooperative is insolvent.

4. A proceeding by the cooperative to have its voluntary dissolution continued under court supervision.

Sec. 64. NEW SECTION. 501.822 PROCEDURE FOR JUDICIAL DISSOLUTION.

1. Venue for a proceeding by the attorney general to dissolve a cooperative lies in Polk county district court. Venue for a proceeding brought by any other party named in section 501.821 lies in the county where a cooperative's principal office or, if not in this state, its registered office is or was last located.

2. It is not necessary to make interest holders parties to a proceeding to dissolve a cooperative unless relief is sought against them individually.

3. A court in a proceeding brought to dissolve a cooperative may issue injunctions, appoint a receiver or custodian pendente lite with all powers and duties the court directs, take other action required to preserve the cooperative's assets wherever located, and carry on the business of the cooperative until a full hearing can be held.

Sec. 65. NEW SECTION. 501.823 RECEIVERSHIP OR CUSTODIANSHIP.

1. A court in a judicial proceeding brought to dissolve a cooperative may appoint one or more receivers to wind up and liquidate, or one or more custodians to manage, the business and affairs of the cooperative. The court shall hold a hearing, after notifying all parties to the proceeding and any interested persons designated by the court, before appointing a receiver or custodian. The court appointing a receiver or custodian has exclusive jurisdiction over the cooperative and all its property wherever located.

2. The court may appoint an individual or a domestic or foreign corporation authorized to transact business in this state as a receiver or custodian. The court may require the receiver or custodian to post bond, with or without sureties, in an amount the court directs.

3. The court shall describe the powers and duties of the receiver or custodian in its appointing order, which may be amended from time to time.

a. Among other powers, the receiver may do any of the following:

(1) Dispose of all or any part of the assets of the cooperative wherever located, at a public or private sale, if authorized by the court.

(2) Sue and defend in the receiver's own name as receiver of the cooperative in all courts of this state.

b. The custodian may exercise all of the powers of the cooperative, through or in place of its board of directors or officers, to the extent necessary to manage the affairs of the cooperative in the best interests of its interest holders and creditors.

4. The court during a receivership may redesignate the receiver a custodian, and during a custodianship may redesignate the custodian a receiver, if doing so is in the best interests of the cooperative, its interest holders, and creditors.

5. The court from time to time during the receivership or custodianship may order compensation paid and expense disbursements or reimbursements made to the receiver or custodian and the receiver's or custodian's counsel from the assets of the cooperative or proceeds from the sale of the assets.

Sec. 66. NEW SECTION. 501.824 DECREE OF DISSOLUTION.

1. If after a hearing the court determines that one or more grounds for judicial dissolution described in section 501.821 exist, it may enter a decree dissolving the cooperative and specifying the effective date of the dissolution, and the clerk of the district court shall deliver a certified copy of the decree to the secretary of state, who shall file it.

2. After entering the decree of dissolution, the court shall direct the winding up and liquidation of the cooperative's business and affairs in accordance with section 501.805 and the notification of claimants in accordance with sections 501.806 and 501.807.

PART D
STATE TREASURER

Sec. 67. NEW SECTION. 501.831 DEPOSIT WITH STATE TREASURER.

Assets of a dissolved cooperative that should be transferred to a creditor, claimant, or interest holder of the cooperative who cannot be found or who is not competent to receive

them shall be reduced to cash and deposited with the treasurer of state or other appropriate state official for safekeeping. When the creditor, claimant, or interest holder furnishes satisfactory proof of entitlement to the amount deposited, the treasurer of state or other appropriate state official shall pay the creditor, claimant, or interest holder or that person's representative the amount.

Sec. 68. Sections 501.107 and 501.602, Code 1997, are repealed. Sections 501.408 and 501.604, Code Supplement 1997, are repealed.

Sec. 69. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved April 23, 1998

CHAPTER 1153

COUNTY CONTRACTS FOR PUBLIC IMPROVEMENTS AND REDEMPTION OF PARCELS AT PROPERTY TAX SALES

H.F. 2049

AN ACT relating to redemption by a county of certain parcels sold at property tax sale.

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

Section 1. Section 331.341, subsection 4, Code 1997, is amended to read as follows:

4. If the contract price for a public improvement is ~~five~~ fifteen thousand dollars or more, the board shall require a contractor's bond in accordance with chapter 573.

Sec. 2. Section 447.9, Code Supplement 1997, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The county in which the parcel is located has the right of redemption for owner-occupied residential parcels as provided in this paragraph. If a person is unable to contribute to the public revenue, the person may file a petition, duly sworn to, with the board of supervisors, stating that fact and giving a statement of parcels, as defined in section 445.1, owned or possessed by the petitioner, and other information as the board may require. The board of supervisors may order the county auditor to redeem a parcel owned or possessed by the petitioner from the holder of a certificate of purchase upon payment by the county to the certificate holder of the amount necessary to redeem under section 447.1. Each of the tax-levying and tax-certifying bodies having any interest in the taxes shall be charged with the total amount due the tax-levying or tax-certifying body as its just share of the purchase price, and that amount shall be deducted from the next month's disbursement made by the county to the tax-levying or tax-certifying body. Interest paid by the county to the certificate holder pursuant to section 447.1 shall be paid solely by the county and shall not be charged against the other tax-levying and tax-certifying bodies. Taxes charged and paid by the tax-levying or tax-certifying body in this manner shall be treated as suspended taxes pursuant to sections 427.8 through 427.12. Notwithstanding section 447.14, a county may redeem pursuant to this paragraph for tax sales held before, on, or after July 1, 1998. A county may limit the number of times a taxpayer may file a petition for assistance under this paragraph.

Approved April 23, 1998