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WAYS & MEANS CALENDAR

HOUSE FILE 859
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 806)
(SUCCESSOR TO HF 226)

Passed House, Date 4-20-05 Passed Senate, Date 4-29-05
Vote: Ayes 99 Nays 0 Vote: Ayes 45 Nays 1
Approved 5/20/05

## A BILL FOR

1 An Act relating to the establishment of a form of business
2 association referred to as a cooperative, and providing for
3 fees and tax credits, providing penalties, and providing an
4 effective date.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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HF 859

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

1 partnership, investment company, joint stock company, joint
2 stock association, or trust, including but not limited to a
3 business trust.
4 7. "Cooperative" means a business association organized
5 under this chapter.
6 8. "Crop" means a plant used for food, animal feed, fiber,
7 or oil, if the plant is classified as a forage or cereal
8 plant, including but not limited to alfalfa, barley,
9 buckwheat, corn, flax, forage, millet, oats, popcorn, rye,
10 sorghum, soybeans, sunflowers, wheat, and grasses used for
11 forage or silage.
12 9. "Domestic business entity" means a business entity
13 organized under the laws of this state, including but not
14 limited to a corporation organized pursuant to chapter 490; a
15 nonprofit corporation organized under chapter 504; a limited
16 liability company as defined in section 490A.102; a
17 partnership, limited partnership, limited liability
18 partnership, or limited liability limited partnership as
19 provided in chapter 486A, 487, or 488; or a cooperative
20 association or other cooperative organized under this chapter
21 or chapter 497, 498, 499, or 501.
22 10. "Domestic cooperative" means a cooperative association
23 or other cooperative organized under this chapter or chapter
24 497, 498, 499, or 501.
25 11. "Foreign business entity" means a business entity that
26 is not a domestic business entity.
27 12. "Foreign cooperative" means a foreign business entity
28 organized to conduct business consistent with this chapter or
29 chapter 497, 498, or 499.
30 13. "Iowa limited liability company" means a limited
31 liability company governed by chapter 490A.
32 14. "Livestock" means the same as defined in section
33 717.1.
34 15. "Member" means a person or entity reflected on the
35 books of a cooperative as the owner of governance rights of a

1 membership interest of the cooperative and includes patron and
2 nonpatron members.
3 16. "Member control agreement" means an instrument which
4 controls the investment or governance of nonpatron members,
5 which may be executed by the board and one or more nonpatron
6 members and which may provide for their individual or
7 collective rights to elect directors or to participate in the
8 distribution or allocation of profits or losses.
9 17. "Membership interest" means a member's interest in a
10 cooperative consisting of a member's financial rights, a
11 member's right to assign financial rights, a member's
12 governance rights, and a member's right to assign governance
13 rights. "Membership interest" includes patron membership
14 interests and nonpatron membership interests.
15 18. "Members' meeting" means a regular or special members'
16 meeting.
17 19. "Nonpatron member" means a member who holds a
18 nonpatron membership interest.
19 20. "Nonpatron membership interest" means a membership
20 interest that does not require the holder to conduct patronage
21 for or with the cooperative to receive financial rights or
22 distributions.
23 21. "Patron" means a person or entity who conducts
24 patronage with the cooperative, regardless of whether the
25 person is a member.
26 22. "Patronage" means business, transactions, or services
27 done for or with the cooperative as defined by the
28 cooperative.
29 23. "Patron member" means a member holding a patron
30 membership interest.
31 24. "Patron membership interest" means the membership
32 interest requiring the holder to conduct patronage for or with
33 the cooperative, as specified by the cooperative to receive
34 financial rights or distributions.
35 25. "Secretary" means the secretary of state.

1 26. "Traditional cooperative" means a cooperative or
2 cooperative association organized under chapter 497, 498, 499,
3 or 501.
4 Sec. 3. NEW SECTION. 501A.103 REQUIREMENTS FOR DOCUMENTS
5 -- FILING AND SIGNATURES.
6 A document is signed when a person has written on a
7 document. A person authorized to do so by this chapter, the
8 articles or bylaws, or by a resolution approved by the
9 directors or the members must sign the document. A signature
10 on a document may be a facsimile affixed, engraved, printed,
11 placed, stamped with indelible ink, transmitted by facsimile
12 or electronically, or in any other manner reproduced on the
13 document.
14 SUBCHAPTER 2
15 FILING
16 PART A
17 GENERAL REQUIREMENTS
18 Sec. 4. NEW SECTION. 501A.201 GENERAL FILING
19 REQUIREMENTS.
20 1. A document must satisfy the requirements of this
21 section, and of any other section that adds to or varies these
22 requirements, to be entitled to filing.
23 2. The document must be one that this chapter requires or
24 permits to be filed with the secretary.
25 3. The document must contain the information required by
26 this chapter. The document may contain other information as
27 well.
28 4. The document must be typewritten or printed. The
29 typewritten or printed portion shall be in black ink.
30 Manually signed photocopies, or other reproduced copies,
31 including facsimiles and other electronically or computer-
32 generated copies of typewritten or printed documents may be
33 filed.
34 5. The document must be in the English language. A
35 cooperative's name need not be in English if written in

1 English letters or Arabic or Roman numerals. The articles,
2 duly authenticated by the official having custody of the
3 applicable records in the state or country under whose law the
4 cooperative is formed, which are required of cooperatives,
5 need not be in English if accompanied by a reasonably
6 authenticated English translation.
7 6. The document must be executed by one of the following
8 persons:
9 a. An officer of the cooperative, or if no officer has
10 been selected, by any patron member of the cooperative.
11 b. If the cooperative has not been organized, by the
12 organizers of the cooperative as provided in subchapter 5.
13 c. If the cooperative is in the hands of a receiver,
14 trustee, or other court-appointed fiduciary, that fiduciary.
15 7. The person executing the document shall sign the
16 document and state beneath or opposite the person's signature,
17 the person's name, and the capacity in which the person signs.
18 8. If, pursuant to any provision of this chapter, the
19 secretary has prescribed a mandatory form for the document,
20 the document shall be in or on the prescribed form.
21 9. The document must be delivered to the secretary for
22 filing and must be accompanied by the correct filing fee as
23 provided in this subchapter.
24 Sec. 5. NEW SECTION. 501A.202 FILING DUTY OF SECRETARY
25 OF STATE.
26 1. If a document delivered to the secretary for filing
27 satisfies the requirements of section 501A.201, the secretary
28 shall file it and issue any necessary certificate.
29 2. The secretary files a document by recording it as filed
30 on the date and at the time of receipt. After filing a
31 document, and except as provided in section 501A.204, the
32 secretary shall deliver the document, and an acknowledgement
33 of the date and time of filing to the domestic cooperative or
34 foreign cooperative or its representative.
35 3. If the secretary refuses to file a document, the

1 secretary shall return it to the domestic cooperative or
2 foreign cooperative or its representative within ten days
3 after the document was received by the secretary, together
4 with a brief, written explanation of the reason for the
5 refusal.
6 4. The secretary's duty to file documents under this
7 section is ministerial. Filing or refusing to file a document
8 does not do any of the following:
9 a. Affect the validity or invalidity of the document in
10 whole or in part.
11 b. Relate to the correctness or incorrectness of
12 information contained in the document.
13 c. Create a presumption that the document is valid or
14 invalid or that information contained in the document is
15 correct or incorrect.
16 Sec. 6. NEW SECTION. 501A.203 EFFECTIVE TIME AND DATE OF
17 DOCUMENTS.
18 1. Except as provided in subsection 2 and section
19 501A.204, subsection 3, a document accepted for filing is
20 effective at the later of the following times:
21 a. At the time of filing on the date the document is
22 filed, as evidenced by the secretary's date and time
23 endorsement on the original document.
24 b. At the time specified in the document as its effective
25 time on the date the document is filed.
26 2. A document may specify a delayed effective time and
27 date, and if the document does so, the document becomes
28 effective at the time and date specified. If a delayed
29 effective date but no time is specified, the document is
30 effective at the close of business on that date. A delayed
31 effective date for a document shall not be later than the
32 ninetieth day after the date the document is filed.
33 Sec. 7. NEW SECTION. 501A.204 CORRECTING FILED
34 DOCUMENTS.
35 1. A domestic cooperative or foreign cooperative may

1 correct a document filed by the secretary if the document
2 satisfies any of the following requirements:
3 a. Contains an incorrect statement.
4 b. Was defectively executed, attested, sealed, verified,
5 or acknowledged.
6 2. A document is corrected by complying with all of the
7 following:
8 a. By preparing articles of correction that satisfy all of
9 the following requirements:
10 (1) Describe the document, including its filing date, or
11 attach a copy of the document to the articles.
12 (2) Specify the incorrect statement and the reason the
13 statement is incorrect or the manner in which the execution
14 was defective.
15 (3) Correct the incorrect statement or defective
16 execution.
17 b. By delivering the articles of correction to the
18 secretary for filing.
19 3. Articles of correction are effective on the effective
20 date of the document the articles correct, except as to
21 persons relying on the uncorrected document and adversely
22 affected by the correction. As to those persons, articles of
23 correction are effective when filed.
24 Sec. 8. NEW SECTION. 501A.205 FEES.
25 1. The secretary shall collect the following fees when
26 documents described in this subsection are delivered to the
27 secretary's office for filing:
28 a. Articles of organization ..... $50
29 b. Application for use of indistinguishable name ..... $10
30 c. Application for reserved name ..... $10
31 d. Notice of transfer of reserved name ..... $10
32 e. Application for registered name per month
33 or part thereof ..... $ 2
34 f. Application for renewal of registered name ..... $20
35 g. Statement of change of registered agent or

1 registered office or both ..... No fee
2 h. Agent's statement of change of registered
3 office for each affected cooperative ..... No fee
4 i. Agent's statement of resignation ..... No fee
5 j. Amendment of articles of organization ..... $ 50
6 k. Restatement of articles of organization with
7 amendment of articles ..... $ 50
8 l. Articles of merger ..... $ 50
9 m. Articles of dissolution ..... $ 5
10 n. Articles of revocation of dissolution ..... $ 5
11 o. Certificate of administrative dissolution ..... No fee
12 p. Application for reinstatement following
13 administrative dissolution ..... $ 5
14 q. Certificate of reinstatement ..... No fee
15 r. Certificate of judicial dissolution ..... No fee
16 s. Application for certificate of authority ..... $100
17 t. Application for amended certificate of authority .... $100
18 u. Application for certificate of cancellation ..... $ 10
19 v. Certificate of revocation of authority to transact
20 business ..... No fee
21 w. Articles of correction ..... $ 5
22 x. Application for certificate of existence or
23 authorization ..... $ 5
24 y. Any other document required or permitted to
25 be filed by this chapter ..... $ 5
26 2. The secretary shall collect a fee of five dollars each
27 time process is served on the secretary under this chapter.
28 The party to a proceeding causing service of process is
29 entitled to recover this fee as costs if the party prevails in
30 the proceeding.
31 3. The secretary shall collect the following fees for
32 copying and certifying the copy of any filed document relating
33 to a domestic cooperative or foreign cooperative:
34 a. One dollar a page for copying.
35 b. Five dollars for the certificate.

1 Sec. 9. NEW SECTION. 501A.206 FORMS.
2 1. The secretary may prescribe and furnish on request
3 forms, including but not limited to the following:
4 a. An application for a certificate of existence.
5 b. A foreign cooperative's application for a certificate
6 of authority to transact business in this state.
7 c. A foreign cooperative's application for a certificate
8 of withdrawal.
9 If the secretary so requires, use of these listed forms
10 prescribed by the secretary is mandatory.
11 2. The secretary may prescribe and furnish on request
12 forms, for other documents required or permitted to be filed
13 by this chapter but their use is not mandatory.
14 Sec. 10. NEW SECTION. 501A.207 APPEAL FROM SECRETARY OF
15 STATE'S REFUSAL TO FILE DOCUMENT.
16 1. If the secretary refuses to file a document delivered
17 to the secretary's office for filing, the domestic cooperative
18 or foreign cooperative may appeal the refusal, within thirty
19 days after the return of the document, to the district court
20 for the county in which the cooperative's principal office or,
21 if none in this state, where its registered office is or will
22 be located. The appeal is commenced by petitioning the court
23 to compel filing the document and by attaching to the petition
24 the document and the secretary's explanation of the refusal to
25 file.
26 2. The court may summarily order the secretary to file the
27 document or take other action the court considers appropriate.
28 3. The court's final decision may be appealed as in other
29 civil proceedings.
30 Sec. 11. NEW SECTION. 501A.208 EVIDENTIARY EFFECT OF
31 COPY OF FILED DOCUMENT.
32 A certificate attached to a copy of a document filed by the
33 secretary, bearing the secretary's signature, which may be in
34 facsimile, and the seal of the secretary, is conclusive
35 evidence that the original document is on file with the

1 secretary.
2 Sec. 12. NEW SECTION. 501A.209 CERTIFICATE OF EXISTENCE.
3 1. Anyone may apply to the secretary to furnish a
4 certificate of existence for a domestic cooperative or a
5 certificate of authorization for a foreign cooperative.
6 2. A certificate of existence or certificate of
7 authorization must set forth all of the following:
8 a. The domestic cooperative's name or the foreign
9 cooperative's name used in this state.
10 b. That one of the following applies:
11 (1) If it is a domestic cooperative, that it is duly
12 organized under the law of this state, the date of its
13 organization, and the period of its duration.
14 (2) If it is a foreign cooperative, that it is authorized
15 to transact business in this state.
16 c. That all fees required by this subchapter have been
17 paid.
18 d. If it is a domestic cooperative, that articles of
19 dissolution have not been filed.
20 e. Other facts of record in the office of the secretary
21 that may be requested by the applicant.
22 3. Subject to any qualification stated in the certificate,
23 a certificate of existence or certificate of authorization
24 issued by the secretary may be relied upon as conclusive
25 evidence that the domestic cooperative or foreign cooperative
26 is in existence or is authorized to transact business in this
27 state.
28 Sec. 13. NEW SECTION. 501A.210 PENALTY FOR SIGNING FALSE
29 DOCUMENT.
30 1. A person commits an offense if that person signs a
31 document the person knows is false in any material respect
32 with intent that the document be delivered to the secretary
33 for filing.
34 2. An offense under this section is a serious misdemeanor
35 punishable by a fine of not to exceed one thousand dollars.

1 Sec. 14. NEW SECTION. 501A.211 SECRETARY OF STATE --
2 POWERS.
3 The secretary has the power reasonably necessary to perform
4 the duties required of the secretary by this chapter.
5 PART B
6 FOREIGN COOPERATIVES
7 Sec. 15. NEW SECTION. 501A.221 CERTIFICATE OF AUTHORITY.
8 A foreign cooperative may apply for a certificate of
9 authority to transact business in this state by delivering an
10 application to the secretary for filing. An application for
11 registration as a foreign cooperative shall set forth all of
12 the following:
13 1. The name of the foreign cooperative and, if different,
14 the name under which the foreign cooperative proposes to
15 register and transact business in this state.
16 2. The state or other jurisdiction in which the foreign
17 cooperative was formed and the date of its formation.
18 3. The street address of the registered office of the
19 foreign cooperative in this state and the name of the
20 registered agent at the office.
21 4. The address of the principal office, which is the
22 office where the principal executive offices are located.
23 5. A certificate of existence or a document of similar
24 import duly authenticated by the proper office of the state or
25 other jurisdiction of its formation which is dated no earlier
26 than ninety days prior to the date that the application is
27 filed with the secretary.
28 Sec. 16. NEW SECTION. 501A.222 CANCELLATION OF
29 CERTIFICATE OF AUTHORITY.
30 1. A foreign cooperative may cancel its certificate of
31 authority by delivering to the secretary for filing a
32 certificate of cancellation which shall set forth all of the
33 following:
34 a. The name of the foreign cooperative and the name of the
35 state or other jurisdiction under whose jurisdiction the

1 foreign cooperative was formed.
2 b. That the foreign cooperative is not transacting
3 business in this state and that the foreign cooperative
4 surrenders its registration to transact business in this
5 state.
6 c. That the foreign cooperative revokes the authority of
7 its registered agent to accept service on its behalf and
8 appoints the secretary as its agent for service of process in
9 any proceeding based on a cause of action arising during the
10 time the foreign cooperative was authorized to transact
11 business in this state.
12 d. A mailing address to which the secretary may mail a
13 copy of any process served on the secretary under paragraph
14 "c".
15 e. A commitment to notify the secretary in the future of
16 any change in the mailing address of the foreign cooperative.
17 2. The certificate of authority shall be canceled upon the
18 filing of the certificate of cancellation by the secretary.
19 PART C
20 REPORTS
21 Sec. 17. NEW SECTION. 501A.231 BIENNIAL REPORT FOR
22 SECRETARY OF STATE.
23 1. A cooperative authorized to transact business in this
24 state shall deliver to the secretary of state for filing a
25 biennial report that sets forth all of the following:
26 a. The name of the cooperative.
27 b. The address of its registered office and the name of
28 its registered agent at that office in this state, together
29 with the consent of any new registered agent.
30 c. The address of its principal office.
31 d. The names and addresses of the president, secretary,
32 treasurer, and one member of the board of directors.
33 2. Information in the biennial report must be current as
34 of the first day of January of the year in which the report is
35 due. The report shall be executed on behalf of the

1 cooperative and signed as provided in section 501A.103 or by
2 any other person authorized by the board of directors of the
3 cooperative.
4 3. The first biennial report shall be delivered to the
5 secretary of state between January 1 and April 1 of the first
6 even-numbered year following the calendar year in which a
7 cooperative is organized. Subsequent biennial reports shall
8 be delivered to the secretary of state between January 1 and
9 April 1 of the following even-numbered calendar years. A
10 filing fee for the biennial report shall be determined by the
11 secretary of state.
12 4. If a biennial report does not contain the information
13 required by this section, the secretary of state shall
14 promptly notify the reporting cooperative in writing and
15 return the report to the cooperative for correction.
16 5. The secretary of state may provide for the change of
17 registered office or registered agent on the form prescribed
18 by the secretary of state for the biennial report, provided
19 that the form contains the information required by section
20 501A.402. If the secretary of state determines that a
21 biennial report does not contain the information required by
22 this section but otherwise meets the requirements of section
23 501.402 for the purpose of changing the registered office or
24 registered agent, the secretary of state shall file the
25 statement of change of registered office or registered agent,
26 effective as provided in section 501A.203, before returning
27 the biennial report to the cooperative as provided in this
28 section. A statement of change of registered office or agent
29 pursuant to this subsection shall be executed by a person
30 authorized to execute the biennial report.
31 SUBCHAPTER 3
32 NAMES
33 Sec. 18. NEW SECTION. 501A.301 NAME.
34 1. A cooperative name must contain the word "cooperative",
35 "coop", or the abbreviation "CP".

1 2. Except as authorized by subsections 3 and 4, a
2 cooperative name must be distinguishable upon the records of
3 the secretary from all of the following:
4 a. The name of a domestic cooperative, limited liability
5 company, limited partnership, or corporation organized under
6 the laws of this state or registered as a foreign cooperative,
7 foreign limited liability company, foreign limited
8 partnership, or foreign corporation in this state.
9 b. A name reserved in the manner provided under the laws
10 of this state.
11 c. The fictitious name adopted by a foreign cooperative,
12 foreign limited liability company, foreign limited
13 partnership, or foreign corporation authorized to transact
14 business in this state because its real name is unavailable.
15 d. The corporate name of a nonprofit corporation
16 incorporated or authorized to transact business in this state.
17 3. A cooperative may apply to the secretary for
18 authorization to use a name that is not distinguishable upon
19 the secretary's records from one or more of the names
20 described in subsection 2. The secretary shall authorize use
21 of the name applied for if one of the following conditions
22 applies:
23 a. The other entity consents to the use in writing and
24 submits an undertaking in a form satisfactory to the secretary
25 to change the entity's name to a name that is distinguishable
26 upon the records of the secretary from the name of the
27 applying cooperative.
28 b. The applicant delivers to the secretary a certified
29 copy of the final judgment of a court of competent
30 jurisdiction establishing the applicant's right to use the
31 name applied for in this state.
32 4. A cooperative may use the name, including the
33 fictitious name, of another business entity that is used in
34 this state if the other business entity is formed under the
35 laws of this state or is authorized to transact business in

1 this state and the proposed user cooperative meets one of the
2 following conditions:
3 a. Has merged with the other business entity.
4 b. Has been formed by reorganization of the other business
5 entity.
6 c. Has acquired all or substantially all of the assets,
7 including the name, of the other business entity.
8 5. This chapter does not control the use of fictitious
9 names; however, if a cooperative uses a fictitious name in
10 this state, the cooperative shall deliver to the secretary for
11 filing a certified copy of the resolution of the cooperative
12 adopting the fictitious name.
13 Sec. 19. NEW SECTION. 501A.302 RESERVED NAME.
14 1. A person may reserve the exclusive use of a cooperative
15 name, including a fictitious name for a foreign cooperative
16 whose cooperative name is not available, by delivering an
17 application to the secretary for filing. The application must
18 set forth the name and address of the applicant and the name
19 proposed to be reserved. If the secretary finds that the
20 cooperative name applied for is available, the secretary shall
21 reserve the name for the applicant's exclusive use for a
22 nonrenewable one-hundred-twenty-day period.
23 2. The owner of a reserved cooperative name may transfer
24 the reservation to another person by delivering to the
25 secretary a signed notice of the transfer that states the name
26 and address of the transferee.
27 SUBCHAPTER 4
28 REGISTERED OFFICE AND AGENT
29 Sec. 20. NEW SECTION. 501A.401 REGISTERED OFFICE AND
30 REGISTERED AGENT.
31 A cooperative must continuously maintain in this state each
32 of the following:
33 1. A registered office that may be the same as any of its
34 places of business.
35 2. A registered agent who may be any of the following:

1 a. An individual who is a resident of this state and whose
2 business office is identical with the registered office.
3 b. A cooperative, domestic corporation, domestic limited
4 liability company, or not-for-profit domestic corporation
5 whose business office is identical with the registered office.
6 c. A foreign cooperative, foreign corporation, foreign
7 limited liability company, or not-for-profit foreign
8 corporation authorized to transact business in this state
9 whose business office is identical with the registered office.
10 Sec. 21. NEW SECTION. 501A.402 CHANGE OF REGISTERED
11 OFFICE OR REGISTERED AGENT.
12 1. A cooperative may change its registered office or
13 registered agent by delivering to the secretary for filing a
14 statement of change that sets forth the following:
15 a. The name of the domestic cooperative or foreign
16 cooperative.
17 b. If the current registered office is to be changed, the
18 street address of the new registered office.
19 c. If the current registered agent is to be changed, the
20 name of the new registered agent and the new agent's written
21 consent either on the statement or attached to the statement,
22 to the appointment.
23 d. That after the change or changes are made, the street
24 address of its registered office and the business office of
25 its registered agent will be identical.
26 2. A statement of change shall forthwith be filed in the
27 office of the secretary by a cooperative whenever its
28 registered agent dies, resigns, or ceases to satisfy the
29 requirements of section 501A.401.
30 3. If a registered agent changes the registered agent's
31 business address to another place, the registered agent may
32 change the business address and the address of the registered
33 agent by filing a statement as required in subsection 1 for
34 each cooperative, or a single statement for all cooperatives
35 named in the notice, except that the statement need be signed

1 only by the registered agent and need not be responsive to
2 subsection 1, paragraph "c", and must recite that a copy of
3 the statement has been mailed to each cooperative named in the
4 notice.
5 4. The change of address of a registered office or the
6 change of registered agent becomes effective upon the filing
7 of such statement by the secretary.
8 Sec. 22. NEW SECTION. 501A.403 RESIGNATION OF REGISTERED
9 AGENT -- DISCONTINUANCE OF REGISTERED OFFICE -- STATEMENT.
10 1. A registered agent may resign the agent's agency
11 appointment by signing and delivering to the secretary for
12 filing an original statement of resignation. The statement
13 may include a statement that the registered office is also
14 discontinued. The registered agent shall send a copy of the
15 statement of resignation to the registered office, if not
16 discontinued, and to the cooperative at its principal office.
17 The agent shall certify to the secretary that the copy has
18 been sent to the cooperative, including the date the copy was
19 sent.
20 2. The agency appointment is terminated, and the
21 registered office discontinued if so provided, on the date on
22 which the statement is filed by the secretary.
23 Sec. 23. NEW SECTION. 501A.404 SERVICE ON DOMESTIC
24 COOPERATIVES.
25 1. A domestic cooperative's registered agent is the
26 cooperative's agent for service of process, notice, or demand
27 required or permitted by law to be served on the cooperative.
28 2. If a cooperative has no registered agent, or the agent
29 cannot with reasonable diligence be served, the cooperative
30 may be served by registered mail or certified mail, return
31 receipt requested, and addressed to the cooperative at its
32 principal office. Service is perfected under this subsection
33 at the earliest of any of the following:
34 a. The date the cooperative receives the mail.
35 b. The date shown on the return receipt for the registered

1 mail or certified mail, return receipt requested, if signed on
2 behalf of the cooperative.
3 c. Five days after its deposit in the United States mail,
4 as evidenced by the postmark, if mailed postpaid and correctly
5 addressed.
6 3. This section does not prescribe the only means, or
7 necessarily the required means, of serving a domestic
8 cooperative or foreign cooperative.
9 Sec. 24. NEW SECTION. 501A.405 SERVICE ON FOREIGN
10 COOPERATIVE.
11 1. The registered agent of a foreign cooperative
12 authorized to transact business in this state is the foreign
13 cooperative's agent for service of process, notice, or demand
14 required or permitted by law to be served on the foreign
15 cooperative.
16 2. A foreign cooperative may be served by certified mail
17 or restricted certified mail addressed to the foreign
18 cooperative at its principal office shown in its application
19 for a certificate of authority if the foreign cooperative
20 meets any of the following conditions:
21 a. Has no registered agent or its registered agent cannot
22 with reasonable diligence be served.
23 b. Has withdrawn from transacting business in this state.
24 c. Has had its certificate of authority revoked.
25 3. Service is perfected under subsection 2 at the earliest
26 of any of the following:
27 a. The date the foreign cooperative receives the mail.
28 b. The date shown on the return receipt for the restricted
29 certified mail, if signed on behalf of the foreign
30 cooperative.
31 c. Five days after its deposit in the United States mail,
32 as evidenced by the postmark, if mailed postpaid and correctly
33 addressed.
34 4. A foreign cooperative may also be served in any other
35 manner permitted by law.

1 SUBCHAPTER 5
2 ORGANIZATION
3 Sec. 25. NEW SECTION. 501A.501 ORGANIZATIONAL PURPOSE.
4 A cooperative may be formed and organized for any lawful
5 purpose for the benefit of its members, including but not
6 limited to any of the following purposes:
7 1. To store or market agricultural commodities, including
8 crops and livestock.
9 2. To market, process, or otherwise change the form or
10 marketability of agricultural commodities. The cooperative
11 may provide for the manufacturing or processing of those
12 commodities into products.
13 3. To accomplish other purposes that are necessary or
14 convenient to facilitate the production or marketing of
15 agricultural commodities or agricultural products by patron
16 members, other patrons, and other persons, and for other
17 purposes that are related to the business of the cooperative.
18 4. To provide products, supplies, and services to its
19 patron members, other patrons, and others.
20 5. For any other purpose that a cooperative is authorized
21 by law under chapter 499 or 501.
22 Sec. 26. NEW SECTION. 501A.502 ORGANIZERS.
23 1. QUALIFICATION. A cooperative may be organized by one
24 or more organizers who shall be adult natural persons, and who
25 may act for themselves as individuals or as the agents of
26 other entities. The organizers forming the cooperative need
27 not be members of the cooperative.
28 2. ROLE OF ORGANIZERS. If the first board of directors is
29 not named in the articles of organization, the organizers may
30 elect the first board or may act as directors with all of the
31 powers, rights, duties, and liabilities of directors, until
32 directors are elected or until a contribution is accepted,
33 whichever occurs first.
34 3. MEETING. After the filing of articles of organization,
35 the organizers or the directors named in the articles of

1 organization shall either hold an organizational meeting at
2 the call of a majority of the organizers or of the directors
3 named in the articles, or take written action for the purposes
4 of transacting business and taking actions necessary or
5 appropriate to complete the organization of the cooperative,
6 including but not limited to all of the following:
7 a. Amending the articles.
8 b. Electing directors.
9 c. Adopting bylaws.
10 d. Authorizing or ratifying the purchase, lease, or other
11 acquisition of suitable space, furniture, furnishings,
12 supplies, or materials.
13 e. Adopting a fiscal year.
14 f. Contracting to receive and accept contributions.
15 g. Making appropriate tax elections.
16 If a meeting is held, the person or persons calling the
17 meeting shall give at least three days' notice of the meeting
18 to each organizer or director named, stating the date, time,
19 and place of the meeting. Organizers and directors may waive
20 notice of an organizational meeting in the same manner that a
21 director may waive notice of meetings of the board.
22 Sec. 27. NEW SECTION. 501A.503 ARTICLES OF ORGANIZATION.
23 1. a. The articles of organization for the cooperative
24 shall include all of the following:
25 (1) The name of the cooperative.
26 (2) The purpose of the cooperative.
27 (3) The name and address of each organizer.
28 (4) The period of duration for the cooperative, if the
29 duration is not to be perpetual.
30 (5) The street address of the cooperative's initial
31 registered office and the name of its registered agent at that
32 office.
33 b. The articles may contain any other lawful provision.
34 2. EFFECT OF FILING. When the articles of organization or
35 an application for a certificate of authority has been filed

1 pursuant to subchapter 2 and the required fee has been paid to
2 the secretary under section 501A.205, all of the following
3 shall be presumed:
4 a. All conditions precedent that are required to be
5 performed by the organizers have been complied with.
6 b. The organization of the cooperative has been organized
7 under the laws of this state as a separate legal entity.
8 c. The secretary shall issue an acknowledgment to the
9 cooperative.
10 Sec. 28. NEW SECTION. 501A.504 AMENDMENT OF ARTICLES.
11 1. a. The articles of organization of a cooperative shall
12 be amended only as follows:
13 (1) The board, by majority vote, must pass a resolution
14 stating the text of the proposed amendment. The text of the
15 proposed amendment and an attached mail or alternative ballot,
16 if the board has provided for a mail or alternative ballot in
17 the resolution or alternative method approved by the board and
18 stated in the resolution, shall be mailed or otherwise
19 distributed with a regular or special meeting notice to each
20 member. The notice shall designate the time and place of the
21 meeting for the proposed amendment to be considered and voted
22 on.
23 (2) If a quorum of the members is registered as being
24 present or represented by alternative vote at the meeting, the
25 proposed amendment is adopted if any of the following occurs:
26 (a) If approved by a majority of the votes cast.
27 (b) For a cooperative with articles or bylaws requiring
28 more than majority approval or other conditions for approval,
29 the amendment is approved by a proportion of the votes cast or
30 a number of total members as required by the articles or
31 bylaws and the conditions for approval in the articles or
32 bylaws have been satisfied.
33 b. After an amendment has been adopted by the members, the
34 amendment must be signed by the chairperson, vice chairperson,
35 records officer, or assistant records officer and a copy of

1 the amendment filed in the office of the secretary.
2 2. CERTIFIED STATEMENT.
3 a. The board shall prepare a certified statement affirming
4 that all of the following are true:
5 (1) The vote and meeting of the board adopting a
6 resolution of the proposed amendment.
7 (2) The notice given to members of the meeting at which
8 the amendment was adopted.
9 (3) The quorum registered at the meeting.
10 (4) The vote cast adopting the amendment.
11 b. The certified statement shall be signed by the
12 chairperson, vice chairperson, records officer, or financial
13 officer and filed with the records of the cooperative.
14 3. AMENDMENT BY DIRECTORS. A majority of directors may
15 amend the articles if the cooperative does not have any
16 members with voting rights.
17 4. FILING. An amendment of the articles shall be filed
18 with the secretary as required in section 501A.503. The
19 amendment is effective as provided in subchapter 2. After an
20 amendment to the articles of organization has been adopted and
21 approved in the manner required by this chapter and by the
22 articles of organization, the cooperative shall deliver to the
23 secretary of state for filing articles of amendment which
24 shall set forth all of the following:
25 a. The name of the cooperative.
26 b. The text of each amendment adopted.
27 c. The date of each amendment's adoption.
28 d. If the amendment was adopted by the directors or
29 members and that members' adoption was not required.
30 e. If an amendment required adoption by the members, a
31 statement that the amendment was duly adopted by the members
32 in the manner required by this chapter and by the articles of
33 organization.
34 Sec. 29. NEW SECTION. 501A.505 EXISTENCE.
35 1. COMMENCEMENT. The existence of a cooperative shall

1 commence on or after the filing of articles of organization as
2 provided in section 501A.503.
3 2. DURATION. A cooperative shall have a perpetual
4 duration unless the cooperative provides for a limited period
5 of duration in the articles or the cooperative is dissolved as
6 provided in subchapter 12.
7 Sec. 30. NEW SECTION. 501A.506 BYLAWS.
8 1. REQUIRED. A cooperative shall have bylaws governing
9 the cooperative's business affairs, structure, the
10 qualifications, classification, rights and obligations of
11 members, and the classifications, allocations, and
12 distributions of membership interests, which are not otherwise
13 provided in the articles or by this chapter.
14 2. CONTENTS.
15 a. If not stated in the articles, a cooperative's bylaws
16 must state all of the following:
17 (1) The purpose of the cooperative.
18 (2) The capital structure of the cooperative to the extent
19 not stated in the articles, including a statement of the
20 classes and relative rights, preferences, and restrictions
21 granted to or imposed upon each class of member interests, the
22 rights to share in profits or distributions of the
23 cooperative, and the authority to issue membership interests,
24 which may be designated to be determined by the board.
25 (3) A provision designating the voting and governance
26 rights, to the extent not stated in the articles, including
27 which membership interests have voting power and any
28 limitations or restrictions on the voting power, which shall
29 be in accordance with the provisions of this chapter.
30 (4) A statement that patron membership interests with
31 voting power shall be restricted to one vote for each member
32 regardless of the amount of patron membership interests held
33 in the affairs of the cooperative or a statement describing
34 the allocation of voting power allocated as prescribed in this
35 chapter.

1 (5) A statement that membership interests held by a member
2 are transferable only with the approval of the board or as
3 provided in the bylaws.
4 (6) If nonpatron membership interests are authorized, all
5 of the following:
6 (a) A statement as to how profits and losses will be
7 allocated and cash will be distributed between patron
8 membership interests collectively and nonpatron membership
9 interests collectively to the extent not stated in the
10 articles.
11 (b) A statement that net income allocated to a patron
12 membership interest as determined by the board in excess of
13 dividends and additions to reserves shall be distributed on
14 the basis of patronage.
15 (c) A statement that the records of the cooperative shall
16 include patron membership interests and, if authorized,
17 nonpatron membership interests, which may be further described
18 in the bylaws of any classes and in the reserves.
19 b. The bylaws may contain any provision relating to the
20 management or regulation of the affairs of the cooperative
21 that are not inconsistent with law or the articles, and shall
22 include all of the following:
23 (1) The number of directors and the qualifications, manner
24 of election, powers, duties, and compensation, if any, of
25 directors.
26 (2) The qualifications of members and any limitations on
27 their number.
28 (3) The manner of admission, withdrawal, suspension, and
29 expulsion of members.
30 (4) Generally, the governance rights, financial rights,
31 assignability of governance and financial rights, and other
32 rights, privileges, and obligations of members and their
33 membership interests, which may be further described in member
34 control agreements.
35 (5) Any provisions required by the articles to be in the

1 bylaws.
2 3. ADOPTION.
3 a. Bylaws shall be adopted before any distributions to
4 members, but if the articles or bylaws provide that rights of
5 contributors to a class of membership interest will be
6 determined in the bylaws, the bylaws must be adopted before
7 the acceptance of any contributions to that class.
8 b. Subject to subsections 4, 5, and 6, the bylaws of a
9 cooperative may be adopted or amended by the directors, or the
10 members may adopt or amend bylaws at a regular or special
11 members' meeting if all of the following apply:
12 (1) The notice of the regular or special meeting contains
13 a statement that the bylaws or restated bylaws will be voted
14 upon and copies are included with the notice, or copies are
15 available upon request from the cooperative and a summary
16 statement of the proposed bylaws or amendment is included with
17 the notice.
18 (2) A quorum is registered as being present or represented
19 by mail or alternative voting method if the mail or
20 alternative voting method is authorized by the board.
21 (3) The bylaws or amendment is approved by a majority vote
22 cast, or for a cooperative with articles or bylaws requiring
23 more than majority approval or other conditions for approval,
24 the bylaws or amendment is approved by a proportion of the
25 vote cast or a number of the total members as required by the
26 articles or bylaws and the conditions for approval in the
27 articles or bylaws have been satisfied.
28 c. Until the next annual or special members' meeting, the
29 majority of directors may adopt and amend bylaws for the
30 cooperative that are consistent with subsections 4, 5, and 6,
31 which may be further amended or repealed by the members at an
32 annual or special members' meeting.
33 4. AMENDMENT OF BYLAWS BY BOARD OR MEMBERS.
34 a. The board may amend the bylaws at any time to add,
35 change, or delete a provision, unless any of the following

1 applies:
2 (1) This chapter, the articles, or the bylaws reserve the
3 power exclusively to the members in whole or in part.
4 (2) A particular bylaw expressly prohibits the board from
5 doing so.
6 b. Any amendment of the bylaws adopted by the board must
7 be distributed to the members no later than ten days after
8 adoption and the notice of the annual meeting of the members
9 must contain a notice and summary or the actual amendments to
10 the bylaws adopted by the board.
11 c. The members may amend the bylaws even though the bylaws
12 may also be amended by the board.
13 5. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR
14 MEMBERS.
15 a. (1) The members may amend the bylaws to fix a greater
16 quorum or voting requirement for members, or voting groups of
17 members, than is required under this chapter.
18 (2) An amendment to the bylaws to add, change, or delete a
19 greater quorum or voting requirement for members shall meet
20 the same quorum requirement and be adopted by the same vote
21 and voting groups required to take action under the quorum and
22 voting requirements then in effect or proposed to be adopted,
23 whichever is greater.
24 b. A bylaw that fixes a greater quorum or voting
25 requirement for members under paragraph "a" shall not be
26 adopted and shall not be amended by the board.
27 6. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR
28 DIRECTORS.
29 a. A bylaw that fixes a greater quorum or voting
30 requirement for the board may be amended by any of the
31 following methods:
32 (1) If adopted by the members, only by the members.
33 (2) If adopted by the board, either by the members or by
34 the board.
35 b. A bylaw adopted or amended by the members that fixes a

1 greater quorum or voting requirement for the board may provide
2 that the bylaw may be amended only by a specified vote of
3 either the members or the board, but if the bylaw is to be
4 amended by a specified vote of the members, the bylaw must be
5 adopted by the same specified vote of the members.
6 c. Action by the board under paragraph "a", subparagraph
7 (2), to adopt or amend a bylaw that changes the quorum or
8 voting requirement for the board shall meet the same quorum
9 requirement and be adopted by the same vote required to take
10 action under the quorum and voting requirement then in effect
11 or proposed to be adopted, whichever is greater.
12 7. EMERGENCY BYLAWS.
13 a. Unless otherwise provided in the articles or bylaws,
14 the board may adopt bylaws to be effective only in an
15 emergency as defined in paragraph "d". The emergency bylaws,
16 which are subject to amendment or repeal by the members, may
17 include all provisions necessary for managing the cooperative
18 during the emergency, including any of the following:
19 (1) Procedures for calling a meeting of the board.
20 (2) Quorum requirements for the meeting.
21 (3) Designation of additional or substitute directors.
22 b. All provisions of the regular bylaws consistent with
23 the emergency bylaws shall remain in effect during the
24 emergency. The emergency bylaws shall not be effective after
25 the emergency ends.
26 c. All of the following shall apply to action taken in
27 good faith in accordance with the emergency bylaws:
28 (1) The action binds the cooperative.
29 (2) The action shall not be the basis for imposition of
30 liability on any director, officer, employee, or agent of the
31 cooperative on the grounds that the action was not authorized
32 cooperative action.
33 d. An emergency exists for the purposes of this section,
34 if a quorum of the directors cannot readily be obtained
35 because of some catastrophic event.

1 Sec. 31. NEW SECTION. 501A.507 COOPERATIVE RECORDS.
2 1. PERMANENT RECORDS REQUIRED TO BE KEPT. A cooperative
3 shall keep as permanent records minutes of all meetings of its
4 members and of the board, a record of all actions taken by the
5 members or the board without a meeting by a written unanimous
6 consent in lieu of a meeting, and a record of all waivers of
7 notices of meetings of the members and of the board.
8 2. ACCOUNTING RECORDS. A cooperative shall maintain
9 appropriate accounting records.
10 3. FORMAT. A cooperative shall maintain its records in
11 written form or in another form capable of conversion into
12 written form within a reasonable time.
13 4. COPIES. A cooperative shall keep a copy of each of the
14 following records at its principal office:
15 a. Its articles and other governing instruments.
16 b. Its bylaws or other similar instruments.
17 c. A record of the names and addresses of its members, in
18 a form that allows preparation of an alphabetical list of
19 members with each member's address.
20 d. The minutes of members' meetings, and records of all
21 actions taken by members without a meeting by unanimous
22 written consent in lieu of a meeting, for the past three
23 years.
24 e. All written communications within the past three years
25 to members as a group or to any class of members as a group.
26 f. A list of the names and business addresses of its
27 current board members and officers.
28 g. All financial statements prepared for periods ending
29 during the last fiscal year.
30 5. Except as otherwise limited by this chapter, the board
31 of a cooperative shall have discretion to determine what
32 records are appropriate for the purposes of the cooperative,
33 the length of time records are to be retained, and policies
34 relating to the confidentiality, disclosure, inspection, and
35 copying of the records of the cooperative.

1 SUBCHAPTER 6
2 POWERS AND AUTHORITIES
3 Sec. 32. NEW SECTION. 501A.601 POWERS.
4 1. GENERALLY.
5 a. In addition to other powers, a cooperative as an agent
6 or otherwise may do any of the following:
7 (1) Perform every act necessary or proper to the conduct
8 of the cooperative's business or the accomplishment of the
9 purposes of the cooperative.
10 (2) Enjoy other rights, powers, or privileges granted by
11 the laws of this state to other cooperatives, except those
12 that are inconsistent with the express provisions of this
13 chapter.
14 (3) Have the powers provided in section 501A.501 and in
15 this section.
16 b. This section does not give a cooperative the power or
17 authority to exercise the powers of a credit union under
18 chapter 533, a bank under chapter 524, or a savings and loan
19 association under chapter 534.
20 2. DEALING IN PRODUCTS. A cooperative may buy, sell, or
21 deal in its own commodities or products or those of another
22 person, including but not limited to those of its members,
23 patrons, or nonmembers; another cooperative organized under
24 this chapter or another cooperative association organized
25 under other law including a traditional cooperative, or
26 members or patrons of such cooperatives or cooperative
27 associations. A cooperative may negotiate the price at which
28 its commodities products may be sold.
29 3. CONTRACTS WITH MEMBERS. A cooperative may enter into
30 or become a party to a contract or agreement for the
31 cooperative or for the cooperative's members or patrons or
32 between the cooperative and its members or patrons.
33 4. HOLDING AND TRANSACTIONS OF REAL AND PERSONAL PROPERTY.
34 a. A cooperative may purchase and hold, lease, mortgage,
35 encumber, sell, exchange, and convey as a legal entity real,

1 personal, and intellectual property, including real estate,
2 buildings, personal property, patents, and copyrights as the
3 business of the cooperative may require, including but not
4 limited to the sale or other disposition of assets required by
5 the business of the cooperative as determined by the board.
6 b. A cooperative may take, receive, and hold real or
7 personal property, including the principal and interest of
8 money or other negotiable instruments and rights in a
9 contract, in trust for any purpose not inconsistent with the
10 purposes of the cooperative in its articles or bylaws. The
11 cooperative may exercise fiduciary powers in relation to
12 taking, receiving, and holding the real or personal property.
13 However, a cooperative's fiduciary powers do not include trust
14 powers or trust services exercised for its members as provided
15 in section 633.63 or chapter 524.
16 5. BUILDINGS. A cooperative may erect buildings or other
17 structures or facilities on the cooperative's owned or leased
18 property or on a right-of-way legally acquired by the
19 cooperative.
20 6. DEBT INSTRUMENTS.
21 a. A cooperative may issue bonds, debentures, or other
22 evidence of indebtedness, except as provided in subsection 1,
23 paragraph "b". The cooperative shall not issue bonds,
24 debentures, or other evidence of indebtedness to a
25 nonaccredited member, unless prior to issuance the cooperative
26 provides the member with a written disclosure statement which
27 includes a conspicuous notice that moneys are not insured or
28 guaranteed by an agency or instrumentality of the United
29 States government, and that the investment may lose value.
30 b. A cooperative may borrow money, may secure any of its
31 obligations by mortgage of or creation of a security interest
32 in or other encumbrances or assignment of all or any of its
33 property, franchises, or income, and may issue guarantees for
34 any legal purpose.
35 c. A cooperative may form special purpose business

1 entities to secure assets of the cooperative.
2 7. ADVANCES TO PATRONS. A cooperative may make advances
3 to its members or patrons on products delivered by the members
4 or patrons to the cooperative.
5 8. DEPOSITS. A cooperative may accept donations or
6 deposits of money or real or personal property from other
7 cooperatives or associations from which the cooperative is
8 constituted.
9 9. BORROWING, INVESTMENT, AND PAYMENT TERMS. A
10 cooperative may borrow money from its members, or cooperatives
11 or associations from which the cooperative is constituted,
12 with security that the cooperative considers sufficient. A
13 cooperative may invest or reinvest its moneys. A cooperative
14 may extend payment terms to its customers not exceeding six
15 months from the date of the sale of the cooperative's goods or
16 services. An extension of payment terms by the cooperative
17 shall not be secured by real property. A cooperative may
18 exercise rights as a lien creditor or judgment creditor to
19 collect any past due or delinquent account which is owed to
20 the cooperative.
21 10. PENSIONS AND BENEFITS. A cooperative may pay
22 pensions, retirement allowances, and compensation for past
23 services to and for the benefit of, and establish, maintain,
24 continue, and carry out, wholly or partially at the expense of
25 the cooperative, employee, or incentive benefit plans, trusts,
26 and provisions to or for the benefit of any or all of its and
27 its related organizations' officers, managers, directors,
28 governors, employees, and agents; and in the case of a related
29 organization that is a cooperative, members who provide
30 services to the cooperative, and any of their families,
31 dependents, and beneficiaries. A cooperative may indemnify
32 and purchase and maintain insurance for and on behalf of a
33 fiduciary of any of these employee benefit and incentive
34 plans, trusts, and provisions.
35 11. INSURANCE.

1 a. A cooperative may purchase and maintain insurance on
2 behalf of a person who is or was a director, officer,
3 employee, or agent of the cooperative and in which the
4 cooperative has an insurable interest. The cooperative may
5 also purchase and maintain insurance on the life of a member
6 for the purpose of acquiring at the death of the member any or
7 all membership interests in the cooperative owned by the
8 member.
9 b. A cooperative or a foreign cooperative shall not sell,
10 solicit, or negotiate in this state any line of insurance to
11 members or nonmembers.
12 12. OWNERSHIP INTERESTS IN OTHER ENTITIES.
13 a. A cooperative may purchase, acquire, hold, or dispose
14 of the ownership interests of another business entity or
15 organize business entities whether organized under the laws of
16 this state or another state or the United States and assume
17 all rights, interests, privileges, responsibilities, and
18 obligations arising out of the ownership interests, including
19 a business entity organized as any of the following:
20 (1) As a federation of associations.
21 (2) For the purpose of forming a district, state, or
22 national marketing sales or service agency.
23 (3) For the purpose of acquiring marketing facilities at
24 terminal or other markets in this state or other states.
25 b. A cooperative may purchase, own, and hold ownership
26 interests, including stock and other equity interests,
27 memberships, interests in nonstock capital, and evidences of
28 indebtedness of any domestic business entity or foreign
29 business entity.
30 13. FIDUCIARY POWERS. A cooperative may exercise any and
31 all fiduciary powers in relations with members, cooperatives,
32 or business entities from which the cooperative is
33 constituted. However, these fiduciary powers do not include
34 trust powers or trust services for its members as provided in
35 section 633.63 or chapter 524.

1 Sec. 33. NEW SECTION. 501A.602 EMERGENCY POWERS.
2 1. In anticipation of or during an emergency as defined in
3 this section, the board may do any of the following:
4 a. Modify lines of succession to accommodate the
5 incapacity of any director, officer, employee, or agent.
6 b. Relocate the principal office, designate alternative
7 principal offices or regional offices, or authorize the
8 officers to do so.
9 2. During an emergency, unless emergency bylaws provide
10 otherwise, all of the following apply:
11 a. A notice of a meeting of the board need be given only
12 to those directors to whom it is practicable to reach and may
13 be given in any practicable manner, including by publication
14 or radio.
15 b. One or more officers of the cooperative present at a
16 meeting of the board may be deemed to be directors for the
17 meeting, in order of rank and within the same rank in order of
18 seniority, as necessary to achieve a quorum.
19 3. All of the following apply to cooperative action taken
20 in good faith during an emergency under this section to
21 further the ordinary business affairs of the cooperative:
22 a. The action binds the cooperative.
23 b. The action shall not be the basis for the imposition of
24 liability on any director, officer, employee, or agent of the
25 cooperative on the grounds that the action was not an
26 authorized cooperative action.
27 4. An emergency exists for purposes of this section if a
28 quorum of the directors cannot readily be obtained because of
29 a catastrophic event.
30 Sec. 34. NEW SECTION. 501A.603 AGRICULTURAL COMMODITIES
31 AND PRODUCTS -- MARKETING CONTRACTS.
32 1. AUTHORITY. A cooperative and its patron member or
33 patron may make and execute a marketing contract, requiring
34 the patron member or patron to sell a specified portion of the
35 patron member's or patron's agricultural commodity or product

1 or specified commodity or product produced from a certain area
2 exclusively to or through the cooperative or facility
3 established by the cooperative.
4 2. TITLE TO COMMODITIES OR PRODUCTS. If a sale is
5 contracted to the cooperative, the sale shall transfer title
6 to the commodity or product absolutely, except for a recorded
7 lien or security interest against the agricultural commodity
8 or product of the patron member or patron as provided in
9 article 9 of chapter 554, and provisions in Title XIV,
10 subtitle 3, governing agricultural liens, and liens granted
11 against farm products under federal law, to the cooperative on
12 delivery of the commodity or product or at another specified
13 time if expressly provided in the contract. The contract may
14 allow the cooperative to sell or resell the commodity or
15 product of its patron member or patron with or without taking
16 title to the commodity or product, and pay the resale price to
17 the patron member or patron, after deducting all necessary
18 selling, overhead, and other costs and expenses, including
19 other proper reserves and interest.
20 3. TERM OF CONTRACT. A single term of a marketing
21 contract shall not exceed ten years, but a marketing contract
22 may be made self-renewing for periods not exceeding five years
23 each, subject to the right of either party to terminate by
24 giving written notice of the termination during a period of
25 the current term as specified in the contract.
26 4. DAMAGES FOR BREACH OF CONTRACT. The cooperative's
27 bylaws or marketing contract in which the cooperative is a
28 party may set a specific sum as liquidated damages to be paid
29 by the patron member or patron to the cooperative for breach
30 of any provision of the marketing contract regarding the sale
31 or delivery or withholding of a commodity or product and may
32 provide that the patron member or patron shall pay the costs,
33 premiums for bonds, expenses, and fees if an action is brought
34 on the contract by the cooperative. The remedies for breach
35 of contract are valid and enforceable in the courts of this

1 state. The provisions shall be enforced as liquidated damages
2 and are not considered a penalty.
3 5. INJUNCTION AGAINST BREACH OF CONTRACT. If there is a
4 breach or threatened breach of a marketing contract by a
5 patron member or patron, the cooperative is entitled to an
6 injunction to prevent the further breach of the contract and
7 to a decree of specific performance of the contract. Pending
8 the adjudication of the action after filing a complaint
9 showing the breach or threatened breach and filing a
10 sufficient bond, the cooperative is entitled to a temporary
11 restraining order and preliminary injunction against the
12 patron member or patron.
13 6. PENALTIES FOR CONTRACT INTERFERENCE AND FALSE REPORTS.
14 A person who knowingly induces or attempts to induce any
15 member or patron of a cooperative organized under this chapter
16 to breach a marketing contract with the cooperative is guilty
17 of a simple misdemeanor.
18 7. CIVIL DAMAGES FOR CONTRACT INTERFERENCE AND FALSE
19 REPORTS. In addition to the penalty provided in subsection 6,
20 the person may be liable to the cooperative for civil damages
21 for any violation of that subsection.
22 SUBCHAPTER 7
23 DIRECTORS AND OFFICERS
24 Sec. 35. NEW SECTION. 501A.701 BOARD GOVERNS
25 COOPERATIVE.
26 A cooperative shall be governed by its board of directors,
27 which shall take all action for and on behalf of the
28 cooperative, except those actions reserved or granted to
29 members. Board action shall be by the affirmative vote of a
30 majority of the directors voting at a duly called meeting
31 unless a greater majority is required by the articles or
32 bylaws. A director individually or collectively with other
33 directors does not have authority to act for or on behalf of
34 the cooperative unless authorized by the board. A director
35 may advocate interests of members or member groups to the

1 board, but the fiduciary duty of each director is to represent
2 the best interests of the cooperative and all members
3 collectively.
4 Sec. 36. NEW SECTION. 501A.702 NUMBER OF DIRECTORS.
5 The board shall not have less than five directors, except
6 that a cooperative with fifty or fewer members may have three
7 or more directors as prescribed in the cooperative's articles
8 or bylaws.
9 Sec. 37. NEW SECTION. 501A.703 ELECTION OF DIRECTORS.
10 1. FIRST BOARD. The organizers shall elect and obtain the
11 acknowledgment of the first board to serve until directors are
12 elected by members. Until election by members, the first
13 board shall appoint directors to fill any vacancies.
14 2. GENERALLY.
15 a. Directors shall be elected for the term, at the time,
16 and in the manner provided in this section and the bylaws.
17 b. A majority of the directors shall be members and a
18 majority of the directors shall be elected exclusively by the
19 members holding patron membership interests unless otherwise
20 provided in the articles or bylaws.
21 c. The voting power of the directors may be allocated
22 according to equity classifications or allocation units of the
23 cooperative. If the cooperative authorizes nonpatron
24 membership interests, one of the following must apply:
25 (1) At least one-half of the voting power on matters of
26 the cooperative that are not specific to equity
27 classifications or allocation units shall be allocated to the
28 directors elected by members holding patron membership
29 interests.
30 (2) The directors elected by the members holding patron
31 membership interests shall have at least an equal voting power
32 or shall not have a minority voting power on general matters
33 of the cooperative that are not specific to equity
34 classifications or allocation units.
35 d. A director holds office for the term the director was

1 elected and until a successor is elected and has qualified, or
2 until the earlier death, resignation, removal, or
3 disqualification of the director.
4 e. The expiration of a director's term with or without
5 election of a qualified successor does not make the prior or
6 subsequent acts of the director or the board void or voidable.
7 f. Subject to any limitation in the articles or bylaws,
8 the board may set the compensation of directors.
9 g. Directors may be divided into or designated and elected
10 by class or other distinction as provided in the articles or
11 bylaws.
12 h. A director may resign by giving written notice to the
13 chairperson of the board or the board. The resignation is
14 effective without acceptance when the notice is given to the
15 chairperson of the board or the board unless a later effective
16 time is specified in the notice.
17 3. ELECTION AT REGULAR MEETING. Directors shall be
18 elected at the regular members' meeting for the terms of
19 office prescribed in the bylaws. Except for directors elected
20 at district meetings or special meetings to fill a vacancy,
21 all directors shall be elected at the regular members'
22 meeting. There shall be no cumulative voting for directors
23 except as provided in this chapter and the articles or bylaws.
24 4. DISTRICT OR LOCAL UNIT ELECTION OF DIRECTORS. For a
25 cooperative with districts or other units, members may elect
26 directors on a district or unit basis if provided in the
27 bylaws. The directors may be nominated or elected at district
28 meetings if provided in the bylaws. Directors who are
29 nominated at district meetings shall be elected at the annual
30 regular members' meeting by vote of the entire membership,
31 unless the bylaws provide that directors who are nominated at
32 district meetings are to be elected by vote of the members of
33 the district, at the district meeting, or the annual regular
34 members' meeting.
35 5. VOTE BY MAIL OR ALTERNATIVE BALLOT. The following

1 shall apply to voting by mail or alternative ballot voting:
2 a. A member shall not vote for a director other than by
3 being present at a meeting or by mail ballot or alternative
4 ballot authorized by the board.
5 b. The ballot shall be in a form prescribed by the board.
6 c. The member shall mark the ballot for the candidate
7 chosen and mail the ballot to the cooperative in a sealed
8 plain envelope inside another envelope bearing the member's
9 name, or shall vote designating the candidate chosen by
10 alternative ballot in the manner prescribed by the board.
11 d. If the ballot of the member is received by the
12 cooperative on or before the date of the regular members'
13 meeting or as otherwise prescribed for alternative ballots,
14 the ballot shall be accepted and counted as the vote of the
15 absent member.
16 6. BUSINESS ENTITY MEMBERS MAY NOMINATE PERSONS FOR
17 DIRECTOR. If a member of a cooperative is not a natural
18 person, and the bylaws do not provide otherwise, the member
19 may appoint or elect one or more natural persons to be
20 eligible for election as a director.
21 7. TERM. A director holds office for the term the
22 director was elected and until a successor is elected and has
23 qualified, or the earlier death, resignation, removal, or
24 disqualification of the director.
25 8. ACTS NOT VOID OR VOIDABLE. The expiration of a
26 director's term with or without the election of a qualified
27 successor does not make prior or subsequent acts of the
28 director void or voidable.
29 9. COMPENSATION. Subject to any limitation in the
30 articles or bylaws, the board may fix the compensation of the
31 directors.
32 10. CLASSIFICATION. Directors may be divided into classes
33 as provided in the articles or bylaws.
34 Sec. 38. NEW SECTION. 501A.704 FILLING VACANCIES.
35 1. PATRON DIRECTORS. If a patron member director's

1 position becomes vacant or a new director position is created
2 for a director that was or is to be elected by patron members,
3 the board, in consultation with the directors elected by
4 patron members, shall appoint a patron member of the
5 cooperative to fill the director's position until the next
6 regular or special members' meeting. If there are no
7 directors elected by patron members on the board at the time
8 of the vacancy, a special patron members' meeting shall be
9 called to fill the patron member director vacancy.
10 2. NONPATRON DIRECTORS. If the vacating director was not
11 elected by the patron members or a new director position is
12 created, unless otherwise provided in the articles or bylaws,
13 the board shall appoint a director to fill the vacant position
14 by majority vote of the remaining or then serving directors
15 even though less than a quorum. At the next regular or
16 special members' meeting, the members or patron members shall
17 elect a director to fill the unexpired term of the vacant
18 director's position.
19 Sec. 39. NEW SECTION. 501A.705 REMOVAL OF DIRECTORS.
20 1. MODIFICATION. The provisions of this section apply
21 unless modified by the articles or the bylaws.
22 2. REMOVAL OF DIRECTORS. A director may be removed at any
23 time, with or without cause, if all of the following apply:
24 a. The director was named by the board to fill a vacancy.
25 b. The members have not elected directors in the interval
26 between the time of the appointment to fill a vacancy and the
27 time of the removal.
28 c. A majority of the remaining directors present
29 affirmatively vote to remove the director.
30 3. REMOVAL BY MEMBERS. Any one or all of the directors
31 may be removed at any time, with or without cause, by the
32 affirmative vote of the holders of a majority of the voting
33 power of membership interests entitled to vote at an election
34 of directors, provided that if a director has been elected
35 solely by the patron members or the holders of a class or

1 series of membership interests as stated in the articles or
2 bylaws, then that director may be removed only by the
3 affirmative vote of the holders of a majority of the voting
4 power of the patron members for a director elected by the
5 patron members or of all membership interests of that class or
6 series entitled to vote at an election of that director.
7 4. ELECTION OF REPLACEMENTS. New directors may be elected
8 at a meeting at which directors are removed.
9 Sec. 40. NEW SECTION. 501A.706 BOARD OF DIRECTORS'
10 MEETINGS.
11 1. TIME AND PLACE. Meetings of the board may be held from
12 time to time as provided in the articles or bylaws at any
13 place within or without the state that the board may select or
14 by any means described in subsection 2. If the board fails to
15 select a place for a meeting, the meeting must be held at the
16 principal executive office, unless the articles or bylaws
17 provide otherwise.
18 2. ELECTRONIC COMMUNICATIONS.
19 a. A conference among directors by any means of
20 communication through which the directors may simultaneously
21 hear each other during the conference constitutes a board
22 meeting, if the same notice is given of the conference as
23 would be required by subsection 3 for a meeting, and if the
24 number of directors participating in the conference would be
25 sufficient to constitute a quorum at a meeting. Participation
26 in a meeting by that means constitutes presence in person at
27 the meeting.
28 b. A director may participate in a board meeting not
29 described in paragraph "a" by any means of communication
30 through which the director, other directors so participating,
31 and all directors physically present at the meeting may
32 simultaneously hear each other during the meeting.
33 Participation in a meeting by that means constitutes presence
34 in person at the meeting.
35 3. CALLING MEETINGS AND NOTICE. Unless the articles or

1 bylaws provide for a different time period, a director may
2 call a board meeting by giving at least ten days' notice or,
3 in the case of organizational meetings, at least three days'
4 notice to all directors of the date, time, and place of the
5 meeting. The notice need not state the purpose of the meeting
6 unless this chapter, the articles, or the bylaws require it.
7 4. PREVIOUSLY SCHEDULED MEETINGS. If the day or date,
8 time, and place of a board meeting have been provided in the
9 articles or bylaws, or announced at a previous meeting of the
10 board, no notice is required. Notice of an adjourned meeting
11 need not be given other than by announcement at the meeting at
12 which adjournment is taken.
13 5. WAIVER OF NOTICE. A director may waive notice of a
14 meeting of the board. A waiver of notice by a director
15 entitled to notice is effective whether given before, at, or
16 after the meeting, and whether given in writing, orally, or by
17 attendance. Attendance by a director at a meeting is a waiver
18 of notice of that meeting, except where the director objects
19 at the beginning of the meeting to the transaction of business
20 because the meeting is not lawfully called or convened and
21 does not participate in the meeting after the objection.
22 6. ABSENT DIRECTORS. If the articles or bylaws so
23 provide, a director may give advance written consent or
24 opposition to a proposal to be acted on at a board meeting.
25 If the director is not present at the meeting, consent or
26 opposition to a proposal does not constitute presence for
27 purposes of determining the existence of a quorum, but consent
28 or opposition must be counted as the vote of a director
29 present at the meeting in favor of or against the proposal and
30 must be entered in the minutes or other record of action at
31 the meeting, if the proposal acted on at the meeting is
32 substantially the same or has substantially the same effect as
33 the proposal to which the director has consented or objected.
34 Sec. 41. NEW SECTION. 501A.707 QUORUM.
35 A majority, or a larger or smaller portion or number

1 provided in the articles or bylaws, of the directors currently
2 holding office is a quorum for the transaction of business.
3 In the absence of a quorum, a majority of the directors
4 present may adjourn a meeting from time to time until a quorum
5 is present. If a quorum is present when a duly called or held
6 meeting is convened, the directors present may continue to
7 transact business until adjournment, even though the
8 withdrawal of a number of directors originally present leaves
9 less than the proportion of number otherwise required for a
10 quorum.
11 Sec. 42. NEW SECTION. 501A.708 ACT OF BOARD OF
12 DIRECTORS.
13 1. Except as provided in subsection 2, the board shall
14 only take action at a duly held meeting by the affirmative
15 vote of any of the following:
16 a. A majority of directors present at the meeting.
17 b. A majority of the directors' voting power present at
18 the meeting.
19 2. The articles or bylaws may require the affirmative vote
20 of a larger vote than provided in subsection 1. If the
21 articles or bylaws require a larger vote than is required by
22 this chapter for a particular action, the articles or bylaws
23 control.
24 Sec. 43. NEW SECTION. 501A.709 ACTION WITHOUT A MEETING.
25 1. METHOD. An action required or permitted to be taken at
26 a board meeting may be taken by written action signed by all
27 of the directors. If the articles or bylaws so provide, any
28 action, other than an action requiring member approval, may be
29 taken by written action signed by the number of directors that
30 would be required to take the same action at a meeting of the
31 board at which all directors were present.
32 2. EFFECTIVE TIME. The written action is effective when
33 signed by the required number of directors, unless a different
34 effective time is provided in the written action.
35 3. NOTICE AND LIABILITY. When written action is permitted

1 to be taken by less than all directors, all directors must be
2 notified immediately of its text and effective date. Failure
3 to provide the notice does not invalidate the written action.
4 A director who does not sign or consent to the written action
5 has no liability for the action or actions taken by the
6 written action.
7 Sec. 44. NEW SECTION. 501A.710 AUDIT COMMITTEE.
8 The board shall establish an audit committee to review the
9 financial information and accounting report of the
10 cooperative. The cooperative shall have the financial
11 information audited for presentation to the members unless the
12 cooperative's bylaws allow financial statements that are not
13 audited and the financial statements clearly state that they
14 are not audited and the difference between the financial
15 statements and audited financial statements that are prepared
16 according to generally accepted accounting procedures. The
17 directors shall elect members to the audit committee. The
18 audit committee shall ensure an independent review of the
19 cooperative's finances and audit.
20 Sec. 45. NEW SECTION. 501A.711 COMMITTEES.
21 1. GENERALLY. A resolution approved by the affirmative
22 vote of a majority of the board may establish committees
23 having the authority of the board in the management of the
24 business of the cooperative only to the extent provided in the
25 resolution. Committees may include a special litigation
26 committee consisting of one or more independent directors or
27 other independent persons to consider legal rights or remedies
28 of the cooperative and whether those rights and remedies
29 should be pursued. Committees other than special litigation
30 committees are subject at all times to the direction and
31 control of the board.
32 2. MEMBERSHIP. Committee members must be natural persons.
33 Unless the articles or bylaws provide for a different
34 membership or manner of appointment, a committee consists of
35 one or more persons, who need not be directors, appointed by

1 affirmative vote of a majority of the directors present.
2 3. PROCEDURE. The procedures for meetings of the board
3 apply to committees and members of committees to the same
4 extent as those sections apply to the board and individual
5 directors.
6 4. MINUTES. Minutes, if any, of committee meetings must
7 be made available upon request to members of the committee and
8 to any director.
9 5. STANDARD OF CONDUCT. The establishment of, delegation
10 of authority to, and action by a committee does not alone
11 constitute compliance by a director with the standard of
12 conduct set forth in section 501A.712.
13 6. COMMITTEE MEMBERS CONSIDERED DIRECTORS. Committee
14 members are considered to be directors for purposes of
15 sections 501A.712, 501A.713, and 501A.715.
16 Sec. 46. NEW SECTION. 501A.712 STANDARD OF CONDUCT.
17 1. STANDARD AND LIABILITY. A director shall discharge the
18 duties of the position of director in good faith, in a manner
19 the director reasonably believes to be in the best interests
20 of the cooperative, and with the care an ordinarily prudent
21 person in a like position would exercise under similar
22 circumstances. A person who so performs those duties is not
23 liable by reason of being or having been a director of the
24 cooperative.
25 2. RELIANCE.
26 a. A director is entitled to rely on information,
27 opinions, reports, or statements, including financial
28 statements and other financial data, in each case prepared or
29 presented by any of the following:
30 (1) One or more officers or employees of the cooperative
31 who the director reasonably believes to be liable and
32 competent in the matters presented.
33 (2) Counsel, public accountants, or other persons as to
34 matters that the director reasonably believes are within the
35 person's professional or expert competence.

1 (3) A committee of the board upon which the director does
2 not serve, duly established by the board, as to matters within
3 its designated authority, if the director reasonably believes
4 the committee to merit confidence.
5 b. Paragraph "a" does not apply to a director who has
6 knowledge concerning the matter in question that makes the
7 reliance otherwise permitted by paragraph "a" unwarranted.
8 3. PRESUMPTION OF ASSENT AND DISSENT. A director who is
9 present at a meeting of the board when an action is approved
10 by the affirmative vote of a majority of the directors present
11 is presumed to have assented to the action approved, unless
12 any of the following applies:
13 a. The director objects at the beginning of the meeting to
14 the transaction of business because the meeting is not
15 lawfully called or convened and does not participate in the
16 meeting after the objection, in which case the director is not
17 considered to be present at the meeting for any purpose of
18 this chapter.
19 b. The director votes against the action at the meeting.
20 c. The director is prohibited by a conflict of interest
21 from voting on the action.
22 4. CONSIDERATIONS. In discharging the duties of the
23 position of director, a director may, in considering the best
24 interests of the cooperative, consider the interests of the
25 cooperative's employees, customers, suppliers, and creditors,
26 the economy of the state, and long-term as well as short-term
27 interests of the cooperative and its patron members, including
28 the possibility that these interests may be best served by the
29 continued independence of the cooperative.
30 Sec. 47. NEW SECTION. 501A.713 DIRECTOR CONFLICTS OF
31 INTEREST.
32 1. CONFLICT AND PROCEDURE WHEN CONFLICT ARISES.
33 a. A contract or other transaction between a cooperative
34 and one or more of its directors, or between a cooperative and
35 a business entity in or of which one or more of its directors

1 are governors, directors, managers, officers, or legal
2 representatives or have a material financial interest, is not
3 void or voidable because the director or directors or the
4 other business entities are parties or because the director or
5 directors are present at the meeting of the members or the
6 board or a committee at which the contract or transaction is
7 authorized, approved, or ratified, if any of the following
8 applies:
9 (1) The contract or transaction was, and the person
10 asserting the validity of the contract or transaction sustains
11 the burden of establishing that the contract or transaction
12 was, fair and reasonable as to the cooperative at the time it
13 was authorized, approved, or ratified and all of the following
14 apply:
15 (a) The material facts as to the contract or transaction
16 and as to the director's or directors' interest are disclosed
17 or known to the members.
18 (b) The material facts as to the contract or transaction
19 and as to the director's or directors' interest are fully
20 disclosed or known to the board or a committee, and the board
21 or committee authorizes, approves, or ratifies the contract or
22 transaction in good faith by a majority of the board or
23 committee, but the interested director or directors are not
24 counted in determining the presence of a quorum and must not
25 vote.
26 (2) The contract or transaction is a distribution,
27 contract, or transaction that is made available to all members
28 or patron members as part of the cooperative's business.
29 b. If a committee is elected or appointed to authorize,
30 ratify, or approve a contract or transaction under this
31 section, the members of the committee must not have a conflict
32 of interest and must be charged with representing the best
33 interests of the cooperative.
34 2. MATERIAL FINANCIAL INTEREST. For purposes of this
35 section, all of the following apply:

1 a. A resolution fixing the compensation of a director or
2 fixing the compensation of another director as a director,
3 officer, employee, or agent of the cooperative is not void or
4 voidable or considered to be a contract or other transaction
5 between a cooperative and one or more of its directors for
6 purposes of this section even though the director receiving
7 the compensation fixed by the resolution is present and voting
8 at the meeting of the board or a committee at which the
9 resolution is authorized, approved, or ratified or even though
10 other directors voting upon the resolution are also receiving
11 compensation from the cooperative.
12 b. A director has a material financial interest in each
13 organization in which the director or a family member of the
14 director has a material financial interest. A contract or
15 other transaction between a cooperative and a family member of
16 a director is considered to be a transaction between the
17 cooperative and the director. A family member of a director
18 includes the spouse, parents, children and spouses of
19 children, brothers and sisters and spouses of brothers and
20 sisters, and the brothers and sisters of the spouse of the
21 director or any combination of them.
22 Sec. 48. NEW SECTION. 501A.714 LIMITATION OF DIRECTOR'S
23 LIABILITY.
24 Except as otherwise provided in this chapter, a director,
25 officer, employee, or member of the cooperative is not liable
26 for the cooperative's debts or obligations, and a director,
27 officer, member, or other volunteer is not personally liable
28 in that capacity, for a claim based upon any action taken, or
29 any failure to take action in the discharge of the person's
30 duties, except for the amount of a financial benefit received
31 by the person to which the person is not entitled, an
32 intentional infliction of harm to the cooperative or its
33 members or patrons, or an intentional violation of criminal
34 law.
35 Sec. 49. NEW SECTION. 501A.715 INDEMNIFICATION.

1 1. DEFINITIONS. As used in this section, all of the
2 following apply:
3 a. "Official capacity" means any of the following:
4 (1) With respect to a director, the position of director
5 in a cooperative.
6 (2) With respect to a person other than a director, the
7 elective or appointive office or position held by the person,
8 member of a committee of the board, the employment
9 relationship undertaken by an employee of the cooperative, or
10 the scope of the services provided by members of the
11 cooperative who provide services to the cooperative.
12 (3) With respect to a director, chief executive officer,
13 member, or employee of the cooperative who, while a director,
14 chief executive officer, or member or employee of the
15 cooperative, is or was serving at the request of the
16 cooperative or whose duties in that position involve or
17 involved service as a governor, director, manager, officer,
18 member, partner, trustee, employee, or agent of another
19 organization or employee benefit plan, the position of that
20 person as a governor, director, manager, officer, member,
21 partner, trustee, employee, or agent, as the case may be, of
22 the other organization or employee benefit plan.
23 b. "Predecessor entity" includes a domestic cooperative or
24 foreign cooperative that was the predecessor of the
25 cooperative referred to in this section in a merger or other
26 transaction in which the predecessor entity's existence ceased
27 upon consummation of the transaction.
28 c. "Proceeding" means a threatened, pending, or completed
29 civil, criminal, administrative, arbitration, or investigative
30 proceeding, including a proceeding by or in the right of the
31 cooperative.
32 d. "Special legal counsel" means counsel who has not
33 represented the cooperative or a related organization, or a
34 director, manager, member of a committee of the board, or
35 employee whose indemnification is in issue.

1 2. INDEMNIFICATION.
2 a. Subject to the provisions of subsection 4, a
3 cooperative shall indemnify a person made or threatened to be
4 made a party to a proceeding by reason of the former or
5 present official capacity of the person against judgments,
6 penalties, fines, including, without limitation, excise taxes
7 assessed against the person with respect to an employee
8 benefit plan, settlements, and reasonable expenses, including
9 attorney fees and disbursements incurred by the person in
10 connection with the proceeding, if, with respect to the acts
11 or omissions of the person complained of in the proceeding,
12 any of the following applies:
13 (1) All of the following apply:
14 (a) The person has not been indemnified by another
15 organization or employee benefit plan for the same judgments,
16 penalties, fines, including, without limitation, excise taxes
17 assessed against the person with respect to an employee
18 benefit plan, settlements, and reasonable expenses, including
19 attorney fees and disbursements incurred by the person in
20 connection with the proceeding with respect to the same acts
21 or omissions.
22 (b) The person acted in good faith.
23 (c) The person has not received an improper personal
24 benefit.
25 (d) The person has not committed an act for which
26 liability cannot be eliminated or limited under section
27 501A.714.
28 (e) In the case of a criminal proceeding, the person had
29 no reasonable cause to believe the conduct was unlawful.
30 (2) (a) In the case of an act or omission occurring in
31 the official capacity described in subsection 1, paragraph
32 "a", subparagraph (1) or (2), the person reasonably believed
33 that the conduct was in the best interests of the cooperative.
34 (b) In the case of an act or omission occurring in the
35 official capacity described in subsection 1, paragraph "a",

1 subparagraph (3), the person reasonably believed that the
2 conduct was not opposed to the best interests of the
3 cooperative.
4 If the person's acts or omissions complained of in the
5 proceeding relate to conduct as a director, officer, trustee,
6 employee, or agent of an employee benefit plan, the conduct is
7 not considered to be opposed to the best interests of the
8 cooperative if the person reasonably believed that the conduct
9 was in the best interests of the participants or beneficiaries
10 of the employee benefit plan.
11 b. The termination of a proceeding by judgment, order,
12 settlement, conviction, or upon a plea of nolo contendere or
13 its equivalent does not, of itself, establish that the person
14 did not meet the criteria set forth in this subsection.
15 3. ADVANCES. Subject to the provisions of subsection 4,
16 if a person is made or threatened to be made a party to a
17 proceeding, the person is entitled, upon written request to
18 the cooperative, to payment or reimbursement by the
19 cooperative of reasonable expenses, including attorney fees
20 and disbursements incurred by the person in advance of the
21 final disposition of the proceeding, as follows:
22 a. Upon receipt by the cooperative of a written
23 affirmation by the person of a good-faith belief that the
24 criteria for indemnification set forth in subsection 2 has
25 been satisfied, and a written undertaking by the person to
26 repay all amounts paid or reimbursed by the cooperative, if it
27 is ultimately determined that the criteria for indemnification
28 have not been satisfied.
29 b. After a determination that the facts then known to
30 those making the determination would not preclude
31 indemnification under this section.
32 The written undertaking required by this subsection is an
33 unlimited general obligation of the person making it, but need
34 not be secured and shall be accepted without reference to
35 financial ability to make the repayment.

1 4. PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.
2 The articles or bylaws either may prohibit indemnification or
3 advances of expenses otherwise required by this section or may
4 impose conditions on indemnification or advances of expenses
5 in addition to the conditions contained in subsection 2 or 3,
6 including, without limitation, monetary limits on
7 indemnification or advances of expenses if the conditions
8 apply equally to all persons or to all persons within a given
9 class. A prohibition or limit on indemnification or advances
10 of expenses shall not apply to or affect the right of a person
11 to indemnification or advances of expenses with respect to any
12 acts or omissions of the person occurring before the effective
13 date of a provision in the articles or the date of adoption of
14 a provision in the bylaws establishing the prohibition or
15 limit on indemnification or advances of expenses.
16 5. REIMBURSEMENT TO WITNESSES. This section does not
17 require, or limit the ability of, a cooperative to reimburse
18 expenses, including attorney fees and disbursements incurred
19 by a person in connection with an appearance as a witness in a
20 proceeding at a time when the person has not been made or
21 threatened to be made a party to a proceeding.
22 6. DETERMINATION OF ELIGIBILITY.
23 a. All determinations whether indemnification of a person
24 is required because the criteria set forth in subsection 2
25 have been satisfied and whether a person is entitled to
26 payment or reimbursement of expenses in advance of the final
27 disposition of a proceeding as provided in subsection 3 must
28 be made as follows:
29 (1) By the board by a majority of a quorum, if the
30 directors who are, at the time, parties to the proceeding are
31 not counted for determining either a majority or the presence
32 of a quorum.
33 (2) If a quorum under subparagraph (1) cannot be obtained
34 by a majority of a committee of the board consisting solely of
35 two or more directors not at the time parties to the

1 proceeding duly designated to act in the matter by a majority
2 of the full board, including directors who are parties.
3 (3) If a determination is not made under subparagraph (1)
4 or (2) by special legal counsel selected either by a majority
5 of the board or a committee by vote under subparagraph (1) or
6 (2) or if the requisite quorum of the full board cannot be
7 obtained and the committee cannot be established by a majority
8 of the full board, including directors who are parties.
9 (4) If a determination is not made under subparagraphs (1)
10 through (3) by the affirmative vote of the members, but the
11 membership interests held by parties to the proceeding must
12 not be counted in determining the presence of a quorum, and
13 are not considered to be present and entitled to vote on the
14 determination.
15 (5) If an adverse determination is made under
16 subparagraphs (1) through (4) or paragraph "b" or if a
17 determination is not made under subparagraphs (1) through (4)
18 or paragraph "b" within sixty days either after the later to
19 occur of the termination of a proceeding or a written request
20 for indemnification to the cooperative, or a written request
21 for an advance of expenses, as the case may be, by a court in
22 this state, which may be the same court in which the
23 proceeding involving the person's liability took place upon
24 application of the person and any notice the court requires.
25 The person seeking indemnification or payment or reimbursement
26 of expenses under this subparagraph has the burden of
27 establishing that the person is entitled to indemnification or
28 payment or reimbursement of expenses.
29 b. With respect to a person who is not, and was not at the
30 time of the act or omission complained of in the proceedings,
31 a director, chief executive officer, or person possessing,
32 directly or indirectly, the power to direct or cause the
33 direction of the management or policies of the cooperative,
34 the determination whether indemnification of this person is
35 required because the criteria set forth in subsection 2 have

1 been satisfied and whether such person is entitled to payment
2 or reimbursement of expenses in advance of the final
3 disposition of a proceeding as provided in subsection 3, may
4 be made by an annually appointed committee of the board,
5 having at least one member who is a director. The committee
6 shall report at least annually to the board concerning its
7 actions.
8 7. INSURANCE. A cooperative may purchase and maintain
9 insurance on behalf of a person in that person's official
10 capacity against any liability asserted against and incurred
11 by the person in or arising from that capacity, whether or not
12 the cooperative would have been required to indemnify the
13 person against the liability under the provisions of this
14 section.
15 8. DISCLOSURE. A cooperative that indemnifies or advances
16 expenses to a person in accordance with this section in
17 connection with a proceeding by or on behalf of the
18 cooperative shall report to the members in writing the amount
19 of the indemnification or advance and to whom and on whose
20 behalf it was paid not later than the next meeting of members.
21 9. INDEMNIFICATION OF OTHER PERSONS. Nothing in this
22 section must be construed to limit the power of the
23 cooperative to indemnify persons other than a director, chief
24 executive officer, member, employee, or member of a committee
25 of the board of the cooperative by contract or otherwise.
26 Sec. 50. NEW SECTION. 501A.716 OFFICERS.
27 1. REQUIRED OFFICERS.
28 a. The board shall elect all of the following:
29 (1) A chairperson.
30 (2) One or more vice chairpersons.
31 b. The board shall elect or appoint all of the following:
32 (1) A records officer.
33 (2) A financial officer.
34 c. The officers, other than the chief executive officer,
35 shall not have the authority to bind the cooperative except as

1 authorized by the board.
2 2. ADDITIONAL OFFICERS. The board may elect additional
3 officers as the articles or bylaws authorize or require.
4 3. RECORDS OFFICER AND FINANCIAL OFFICER MAY BE COMBINED.
5 The offices of records officer and financial officer may be
6 combined.
7 4. OFFICERS THAT MUST BE MEMBERS. The chairperson and
8 first vice chairperson shall be directors and members. The
9 financial officer, records officer, and additional officers
10 need not be directors or members.
11 5. CHIEF EXECUTIVE OFFICER. The board may employ a chief
12 executive officer to manage the day-to-day affairs and
13 business of the cooperative, and if a chief executive officer
14 is employed, the chief executive officer shall have the
15 authority to implement the functions, duties, and obligations
16 of the cooperative except as restricted by the board. The
17 chief executive officer shall not exercise authority reserved
18 to the board or the members under this chapter, the articles,
19 or the bylaws.
20 SUBCHAPTER 8
21 MEMBERS
22 Sec. 51. NEW SECTION. 501A.801 MEMBERS.
23 1. REQUIREMENT. A cooperative shall have one or more
24 patron members.
25 2. GROUPING OF MEMBERS.
26 a. A cooperative may group members and patron members in
27 districts, units, or on another basis if and as authorized in
28 its articles or bylaws. The articles or bylaws may include
29 authorization for the board to determine the groupings.
30 b. The board may implement the use of districts or units,
31 including setting the time and place and prescribing the rules
32 of conduct for holding meetings by districts or units to elect
33 delegates to members' meetings.
34 3. MEMBER VIOLATIONS.
35 a. A member who knowingly, intentionally, or repeatedly

1 violates a provision of this chapter, the articles or bylaws
2 of the cooperative, or a member control agreement or marketing
3 contract with the cooperative may be required by the board to
4 surrender the member's voting power or the financial rights of
5 membership interest of any class owned by the member, or both.
6 b. The cooperative shall refund to the member for the
7 surrendered financial rights of membership interest the lesser
8 of the book value or market value of the financial right of
9 the membership interest payable in not more than seven years
10 from the date of surrender or the board may transfer all of
11 any patron member's financial rights to a class of financial
12 rights held by members who are not patron members, or to a
13 certificate of interest, which carries liquidation rights on
14 par with membership interests and is redeemed within seven
15 years after the transfer as provided in the certificate.
16 c. Membership interests required to be surrendered may be
17 reissued or be retired and canceled by the board.
18 4. INSPECTION OF COOPERATIVE RECORDS BY MEMBER.
19 a. A member is entitled to inspect and copy, at the
20 member's expense, during regular business hours at a
21 reasonable location specified by the cooperative, any of the
22 records described in section 501A.507 if the member meets the
23 requirements of paragraph "b" and gives the cooperative
24 written demand at least five business days before the date on
25 which the member wishes to inspect and copy the records.
26 Notwithstanding the provisions of this subsection or any
27 provisions of section 501A.507, a member shall not have the
28 right to inspect or copy any records of the cooperative
29 relating to the amount of equity capital in the cooperative
30 held by any person or any accounts receivable or other amounts
31 due the cooperative from any person, or any personnel records
32 or employment records of any employee.
33 b. To be entitled to inspect and copy permitted records,
34 the member shall meet all of the following requirements:
35 (1) The member must have been a member for at least one

1 year immediately preceding the demand to inspect or copy or
2 must be a member holding at least five percent of all of the
3 outstanding equity interests in the cooperative as of the date
4 the demand is made.
5 (2) The demand is made in good faith and for a proper
6 cooperative business purpose.
7 (3) The member describes with reasonable particularity the
8 purpose and the records the member desires to inspect.
9 (4) The records are directly connected with the described
10 purpose.
11 c. The right of inspection granted by this subsection
12 shall not be abolished or limited by the articles, bylaws, or
13 any actions of the board or the members.
14 d. This subsection does not affect any of the following:
15 (1) The right of a member to inspect records to the same
16 extent as any other litigant if the member is in litigation
17 with the cooperative.
18 (2) The power of a court to compel the production of the
19 cooperative's records for examination.
20 e. Notwithstanding any other provision in this subsection,
21 if the records to be inspected or copied are in active use or
22 storage and, therefore, not available at the time otherwise
23 provided for inspection or copying, the cooperative shall
24 notify the member and shall set a date and hour within three
25 business days of the date otherwise set in this subsection for
26 the inspection or copying.
27 f. A member's agent or attorney has the same inspection
28 and copying rights as the member. The right to copy records
29 under this subsection includes, if reasonable, the right to
30 receive copies made by photographic copying, xerographic
31 copying, or other means. The cooperative may impose a
32 reasonable charge, covering the costs of labor and material,
33 for copies of any documents provided to the member. The
34 charge shall not exceed the estimated cost of production and
35 reproduction of the records.

1 g. If a cooperative refuses to allow a member, or the
2 member's agent or attorney, who complies with this subsection
3 to inspect or copy any records that the member is entitled to
4 inspect or copy within a prescribed time limit or, if none,
5 within a reasonable time, the district court of the county in
6 this state where the cooperative's principal office is located
7 or, if it has no principal office in this state, the district
8 court of the county in which its registered office is located
9 may, on application of the member, summarily order the
10 inspection or copying of the records demanded at the
11 cooperative's expense.
12 h. If a court orders inspection or copying of the records
13 demanded, unless the cooperative proves that it refused
14 inspection or copying in good faith because it had a
15 reasonable basis for doubt about the right of the member or
16 the member's agent or attorney to inspect or copy the records
17 demanded, all of the following shall apply:
18 (1) The court may order the losing party to pay the
19 prevailing party's reasonable costs, including reasonable
20 attorney fees.
21 (2) The court may order the losing party to pay the
22 prevailing party for any damages the prevailing party shall
23 have incurred by reason of the subject matter of the
24 litigation.
25 (3) If inspection or copying is ordered under this
26 paragraph "h", the court may order the cooperative to pay the
27 member's inspection and copying expenses.
28 (4) The court may grant either party any other remedy
29 provided by law.
30 (5) The court may impose reasonable restrictions on the
31 use or distribution of the records by the demanding member.
32 Sec. 52. NEW SECTION. 501A.802 MEMBER NOT LIABLE FOR
33 COOPERATIVE DEBTS.
34 A member is not, merely on the account of that status,
35 personally liable for the acts, debts, liabilities, or

1 obligations of a cooperative. A member is liable for any
2 unpaid subscription for the membership interest, unpaid
3 membership fees, or a debt for which the member has separately
4 contracted with the cooperative.
5 Sec. 53. NEW SECTION. 501A.803 REGULAR MEMBERS'
6 MEETINGS.
7 1. ANNUAL MEETING. Regular members' meetings shall be
8 held annually at a time determined by the board, unless
9 otherwise provided for in the bylaws.
10 2. LOCATION. The regular members' meeting shall be held
11 at the principal place of business of the cooperative or at
12 another conveniently located place as determined by the bylaws
13 or the board.
14 3. BUSINESS AND FISCAL REPORTS. The officers shall submit
15 reports to the members at the regular members' meeting
16 covering the business of the cooperative for the previous
17 fiscal year that show the condition of the cooperative at the
18 close of the fiscal year.
19 4. ELECTION OF DIRECTORS. All directors shall be elected
20 at the regular members' meeting for the terms of office
21 prescribed in the bylaws, except for directors elected at
22 district or unit meetings.
23 5. NOTICE.
24 a. The cooperative shall give notice of regular members'
25 meetings by mailing the regular members' meeting notice to
26 each member at the members' last known post office address or
27 by other notification approved by the board and agreed to by
28 the members. The regular members' meeting notice shall be
29 published or otherwise given by approved method at least two
30 weeks before the date of the meeting or mailed at least
31 fifteen days before the date of the meeting.
32 b. The notice shall contain a summary of any bylaw
33 amendments adopted by the board since the last annual meeting.
34 6. WAIVER AND OBJECTIONS. A member may waive notice of a
35 meeting of members. A waiver of notice by a member entitled

1 to notice is effective whether given before, at, or after the
2 meeting, and whether given in writing, orally, or by
3 attendance. Attendance by a member at a meeting is a waiver
4 of notice of that meeting, except where the member objects at
5 the beginning of the meeting to the transaction of business
6 because the meeting is not lawfully called or convened, or
7 objects before a vote on an item of business because the item
8 cannot lawfully be considered at that meeting and does not
9 participate in the consideration of the item at that meeting.
10 Sec. 54. NEW SECTION. 501A.804 SPECIAL MEMBERS'
11 MEETINGS.
12 1. CALLING MEETING. Special members' meetings of the
13 members may be called by any of the following:
14 a. A majority vote of the board.
15 b. The written petition of at least twenty percent of the
16 patron members and, if authorized by the articles or bylaws,
17 twenty percent of the nonpatron members, twenty percent of all
18 members, or members representing twenty percent of the
19 membership interests collectively submitted to the
20 chairperson.
21 2. NOTICE. The cooperative shall give notice of a special
22 members' meeting by mailing the special members' meeting
23 notice to each member personally at the person's last known
24 post office address or an alternative method approved by the
25 board and agreed to by the member individually or the members
26 generally. For a member that is an entity, notice mailed or
27 delivered by an alternative method shall be to an officer of
28 the entity. The special members' meeting notice shall state
29 the time, place, and purpose of the special members' meeting.
30 The special members' meeting notice shall be issued within ten
31 days from and after the date of the presentation of a members'
32 petition, and the special members' meeting shall be held
33 within thirty days after the date of the presentation of the
34 members' petition.
35 3. WAIVER AND OBJECTIONS. A member may waive notice of a

1 meeting of members. A waiver of notice by a member entitled
2 to notice is effective whether given before, at, or after the
3 meeting, and whether given in writing, orally, or by
4 attendance. Attendance by a member at a meeting is a waiver
5 of notice of that meeting, except where the member objects at
6 the beginning of the meeting to the transaction of business
7 because the meeting is not lawfully called or convened, or
8 objects before a vote on an item of business because the item
9 cannot lawfully be considered at that meeting and does not
10 participate in the consideration of the item at that meeting.
11 Sec. 55. NEW SECTION. 501A.805 CERTIFICATION OF MEETING
12 NOTICE.
13 1. CERTIFICATE OF MAILING. After mailing special or
14 regular members' meeting notices or otherwise delivering the
15 notices, the cooperative shall execute a certificate
16 containing the date of mailing or delivery of the notice and a
17 statement that the special or regular members' meeting notices
18 were mailed or delivered as prescribed by law.
19 2. MATTER OF RECORD. The certificate shall be made a part
20 of the record of the meeting.
21 3. FAILURE TO RECEIVE MEETING NOTICE. Failure of a member
22 to receive a special or regular members' meeting notice does
23 not invalidate an action taken by the members at a members'
24 meeting.
25 Sec. 56. NEW SECTION. 501A.806 QUORUM.
26 1. QUORUM. The quorum for a members' meeting to transact
27 business shall be by any of the following:
28 a. Ten percent of the total number of members of a
29 cooperative with five hundred or fewer members.
30 b. Fifty members for cooperatives with more than five
31 hundred members.
32 2. QUORUM FOR VOTING BY MAIL. In determining a quorum at
33 a meeting, on a question submitted to a vote by mail or an
34 alternative method, members present in person or represented
35 by mail vote or the alternative voting method shall be

1 counted. The attendance of a sufficient number of members to
2 constitute a quorum shall be established by a registration of
3 the members of the cooperative present at the meeting. The
4 registration shall be verified by the chairperson or the
5 records officer of the cooperative and shall be reported in
6 the minutes of the meeting.
7 3. MEETING ACTION INVALID WITHOUT QUORUM. An action by a
8 cooperative is not valid or legal in the absence of a quorum
9 at the meeting at which the action was taken.
10 Sec. 57. NEW SECTION. 501A.807 REMOTE COMMUNICATIONS FOR
11 MEMBERS' MEETINGS.
12 1. CONSTRUCTION AND APPLICATION. This section shall be
13 construed and applied to all of the following:
14 a. To facilitate remote communication consistent with
15 other applicable law.
16 b. To be consistent with reasonable practices concerning
17 remote communication and with the continued expansion of those
18 practices.
19 2. MEMBERS' MEETINGS HELD SOLELY BY MEANS OF REMOTE
20 COMMUNICATION. To the extent authorized in the articles, a
21 member control agreement, or the bylaws and determined by the
22 board, a regular or special meeting of members may be held
23 solely by any combination of means of remote communication
24 through which the members may participate in the meeting, if
25 notice of the meeting is given to every owner of membership
26 interests entitled to vote as would be required by this
27 chapter for a meeting, and if the membership interests held by
28 the members participating in the meeting would be sufficient
29 to constitute a quorum at a meeting. Participation by a
30 member by that means constitutes presence at the meeting in
31 person or by proxy if all the other requirements of this
32 chapter for the meeting are met.
33 3. PARTICIPATION IN MEMBERS' MEETINGS BY MEANS OF REMOTE
34 COMMUNICATION. To the extent authorized in the articles or
35 the bylaws and determined by the board, a member not

1 physically present in person or by proxy at a regular or
2 special meeting of members may, by means of remote
3 communication, participate in a meeting of members held at a
4 designated place. Participation by a member by that means
5 constitutes presence at the meeting in person or by proxy if
6 all the other requirements of this chapter for the meeting are
7 met.
8 4. REQUIREMENTS FOR MEETINGS HELD SOLELY BY MEANS OF
9 REMOTE COMMUNICATION AND FOR PARTICIPATION BY MEANS OF REMOTE
10 COMMUNICATION. In any meeting of members held solely by means
11 of remote communication under subsection 2 or in any meeting
12 of members held at a designated place in which one or more
13 members participate by means of remote communication under
14 subsection 3, all of the following shall apply:
15 a. The cooperative shall implement reasonable measures to
16 verify that each person deemed present and entitled to vote at
17 the meeting by means of remote communication is a member.
18 b. The cooperative shall implement reasonable measures to
19 provide each member participating by means of remote
20 communication with a reasonable opportunity to participate in
21 the meeting, including an opportunity to do all of the
22 following:
23 (1) Read or hear the proceedings of the meeting
24 substantially concurrently with those proceedings.
25 (2) If allowed by the procedures governing the meeting,
26 have the member's remarks heard or read by other participants
27 in the meeting substantially concurrently with the making of
28 those remarks.
29 (3) If otherwise entitled, vote on matters submitted to
30 the members.
31 5. NOTICE TO MEMBERS.
32 a. Any notice to members given by the cooperative under
33 any provision of this chapter, the articles, or the bylaws by
34 a form of electronic communication consented to by the member
35 to whom the notice is given is effective when given. The

1 notice is deemed given upon any of the following:
2 (1) If by facsimile communication, when directed to a
3 telephone number at which the member has consented to receive
4 notice.
5 (2) If by electronic mail, when directed to an electronic
6 mail address at which the member has consented to receive
7 notice.
8 (3) If by a posting on an electronic network on which the
9 member has consented to receive notice, together with separate
10 notice to the member of the specific posting, upon the later
11 of any of the following:
12 (a) The posting.
13 (b) The giving of the separate notice.
14 (4) If by any other form of electronic communication by
15 which the member has consented to receive notice, when
16 directed to the member.
17 b. An affidavit of the secretary, other authorized
18 officer, or authorized agent of the cooperative that the
19 notice has been given by a form of electronic communication
20 is, in the absence of fraud, prima facie evidence of the facts
21 stated in the affidavit.
22 c. Consent by a member to notice given by electronic
23 communication may be given in writing or by authenticated
24 electronic communication. The cooperative is entitled to rely
25 on any consent so given until revoked by the member, provided
26 that no revocation affects the validity of any notice given
27 before receipt by the cooperative of revocation of the
28 consent.
29 6. REVOCATION. Any ballot, vote, authorization, or
30 consent submitted by electronic communication under this
31 chapter may be revoked by the member submitting the ballot,
32 vote, authorization, or consent so long as the revocation is
33 received by a director or the chief executive officer of the
34 cooperative at or before the meeting or before an action
35 without a meeting is effective.

1 7. WAIVER. Waiver of notice by a member of a meeting by
2 means of authenticated electronic communication may be given
3 in the manner provided for the regular or special meeting.
4 Participation in a meeting by means of remote communication
5 described in subsections 2 and 3 is a waiver of notice of that
6 meeting, except where the member objects at the beginning of
7 the meeting to the transaction of business because the meeting
8 is not lawfully called or convened, or objects before a vote
9 on an item of business because the item cannot lawfully be
10 considered at the meeting and does not participate in the
11 consideration of the item at that meeting.
12 Sec. 58. NEW SECTION. 501A.808 ACT OF MEMBERS.
13 1. ACTION BY AFFIRMATIVE VOTE OF MEMBERS.
14 a. The members shall take action by the affirmative vote
15 of the members of the greater of any of the following:
16 (1) A majority of the voting power of the membership
17 interests present and entitled to vote on that item of
18 business.
19 (2) A majority of the voting power that would constitute a
20 quorum for the transaction of business at the meeting, except
21 where this chapter, the articles or bylaws, or a member
22 control agreement require a larger proportion.
23 b. If the articles, bylaws, or a member control agreement
24 require a larger proportion than is required by this chapter
25 for a particular action, the articles, bylaws, or the member
26 control agreement shall have control over the provisions of
27 this chapter.
28 2. CLASS OR SERIES OF MEMBERSHIP INTERESTS. In any case
29 where a class or series of membership interests is entitled by
30 this chapter, the articles, bylaws, a member control
31 agreement, or the terms of the membership interests to vote as
32 a class or series, the matter being voted upon must also
33 receive the affirmative vote of the owners of the same
34 proportion of the membership interests present of that class
35 or series; or of the total outstanding membership interests of

1 that class or series, as the proportion required under
2 subsection 1, unless the articles, bylaws, or the member
3 control agreement require a larger proportion. Unless
4 otherwise stated in the articles, bylaws, or a member control
5 agreement, in the case of voting as a class or series, the
6 minimum percentage of the total voting power of membership
7 interests of the class or series that must be present is equal
8 to the minimum percentage of all membership interests entitled
9 to vote required to be present under section 501A.707.
10 3. GREATER QUORUM OR VOTING REQUIREMENTS.
11 a. The articles or bylaws adopted by the members may
12 provide for a greater quorum or voting requirement for members
13 or voting groups than is provided for by this chapter.
14 b. An amendment to the articles or bylaws that adds,
15 changes, or deletes a greater quorum or voting requirement
16 shall meet the same quorum requirement and be adopted by the
17 same vote and voting groups required to take action under the
18 quorum and voting requirements then in effect or proposed to
19 be adopted, whichever is greater.
20 Sec. 59. NEW SECTION. 501A.809 ACTION WITHOUT A MEETING.
21 1. METHOD. An action required or permitted to be taken at
22 a meeting of the members may be taken by written action
23 signed, or consented to by authenticated electronic
24 communication, by all of the members. If the articles,
25 bylaws, or a member control agreement so provide, any action
26 may be taken by written action signed, or consented to by
27 authenticated electronic communication, by the members who own
28 voting power equal to the voting power that would be required
29 to take the same action at a meeting of the members at which
30 all members were present.
31 2. EFFECTIVE TIME. The written action is effective when
32 signed or consented to by authenticated electronic
33 communication by the required members, unless a different
34 effective time is provided in the written action.
35 3. NOTICE AND LIABILITY. When written action is permitted

1 to be taken by less than all members, all members must be
2 notified immediately of its text and effective date. Failure
3 to provide the notice does not invalidate the written action.
4 A member who does not sign or consent to the written action
5 has no liability for the action or actions taken by the
6 written action.
7 Sec. 60. NEW SECTION. 501A.810 MEMBER VOTING RIGHTS.
8 1. MEMBER HAS ONE VOTE OR PATRONAGE VOTING. A patron
9 member of a cooperative is only entitled to one vote on an
10 issue to be voted upon by members holding patron membership
11 interests. However, if authorized in the cooperative's
12 articles or bylaws, a patron member may be entitled to
13 additional votes based on patronage criteria in section
14 501A.811. If nonpatron members are authorized by the patron
15 members and granted voting rights on any matter voted on by
16 the members of the cooperative, the entire patron members'
17 voting power shall be voted collectively based upon the vote
18 of the majority of patron members voting on the issue and the
19 collective vote of the patron members shall be a majority of
20 the vote cast unless otherwise provided in the bylaws. The
21 bylaws shall not reduce the collective patron member vote to
22 less than fifteen percent of the total vote on matters of the
23 cooperative. A nonpatron member has the voting rights in
24 accordance to the nonpatron member's nonpatron membership
25 interests as granted in the bylaws, subject to the provisions
26 of this chapter.
27 2. RIGHT TO VOTE AT MEETING. A member or delegate may
28 exercise voting rights on any matter that is before the
29 members as prescribed in the articles or bylaws at a members'
30 meeting from the time the member or delegate arrives at the
31 members' meeting, unless the articles or bylaws specify an
32 earlier and specific time for closing the right to vote.
33 3. VOTING METHOD. A member's vote at a members' meeting
34 shall be in person or by mail if a mail vote is authorized by
35 the board or by alternative method if authorized by the board

1 and not by proxy, except as provided in subsection 4.
2 4. MEMBERS REPRESENTED BY DELEGATES.
3 a. The provisions of this subsection apply to members
4 represented by delegates.
5 b. A cooperative may provide in the articles or bylaws
6 that units or districts of members are entitled to be
7 represented at members' meetings by delegates chosen by the
8 members of the unit or district. The delegates may vote on
9 matters at the members' meeting in the same manner as a
10 member. The delegates may only exercise the voting rights on
11 a basis and with the number of votes as prescribed in the
12 articles or bylaws.
13 c. If the approval of a certain portion of the members is
14 required for adoption of amendments, a dissolution, a merger,
15 a consolidation, or a sale of assets, the votes of delegates
16 shall be counted as votes by the members represented by the
17 delegate.
18 d. Patron members may be represented by the proxy of other
19 patron members.
20 e. Nonpatron members may be represented by proxy if
21 authorized in the bylaws.
22 5. ABSENTEE BALLOTS.
23 a. The provisions of this subsection apply to absentee
24 ballots.
25 b. A member who is or will be absent from a members'
26 meeting may vote by mail or by an approved alternative method
27 on the ballot prescribed in this subsection on any motion,
28 resolution, or amendment that the board submits for vote by
29 mail or alternative method to the members.
30 c. The ballot shall be in the form prescribed by the board
31 and contain all of the following:
32 (1) The exact text of the proposed motion, resolution, or
33 amendment to be acted on at the meeting.
34 (2) The text of the motion, resolution, or amendment for
35 which the member may indicate an affirmative or negative vote.

1 d. The member shall express a choice by marking an
2 appropriate choice on the ballot and mail, deliver, or
3 otherwise submit the ballot to the cooperative in a plain,
4 sealed envelope inside another envelope bearing the member's
5 name or by an alternative method approved by the board.
6 e. A properly executed ballot shall be accepted by the
7 board and counted as the vote of the absent member at the
8 meeting.
9 Sec. 61. NEW SECTION. 501A.811 PATRON MEMBER VOTING
10 BASED ON PATRONAGE.
11 1. PATRON MEMBERS TO HAVE AN ADDITIONAL VOTE. A
12 cooperative may authorize by the articles or the bylaws for
13 patron members to have an additional vote for all of the
14 following:
15 a. A stipulated amount of business transacted between the
16 patron member and cooperative.
17 b. A stipulated number of patron members in a member
18 cooperative.
19 c. A certain stipulated amount of equity allocated to or
20 held by a patron member in the cooperative's central
21 organization.
22 d. A combination of methods provided in this subsection.
23 2. DELEGATES ELECTED BY PATRONS TO HAVE AN ADDITIONAL
24 VOTE. A cooperative that is organized into units or districts
25 of patron members may, by the articles or the bylaws,
26 authorize the delegates elected by its patron members to have
27 an additional vote for any of the following:
28 a. A stipulated amount of business transacted between the
29 patron members in the units or districts and the cooperative.
30 b. A certain stipulated amount of equity allocated to or
31 held by the patron members of the units or districts of the
32 cooperative.
33 c. A combination of methods in this subsection.
34 Sec. 62. NEW SECTION. 501A.812 VOTING RIGHTS.
35 1. DETERMINATION. The board may fix a date not more than

1 sixty days, or a shorter time period provided in the articles
2 or bylaws, before the date of a meeting of members as the date
3 for the determination of the owners of membership interests
4 entitled to notice of and entitled to vote at the meeting.
5 When a date is so fixed, only members on that date are
6 entitled to notice of and permitted to vote at that meeting of
7 members.
8 2. NONMEMBERS. The articles or bylaws may give or
9 prescribe the manner of giving a creditor, security holder, or
10 other person a right to vote on patron membership interests
11 under this section.
12 3. JOINTLY OWNED MEMBERSHIP INTERESTS. Membership
13 interests owned by two or more members may be voted by any one
14 of them unless the cooperative receives written notice from
15 any one of them denying the authority of that person to vote
16 those membership interests.
17 4. MANNER OF VOTING AND PRESUMPTION. Except as provided
18 in subsection 3, an owner of a nonpatron membership interest
19 or a patron membership interest with more than one vote that
20 is entitled to vote may vote any portion of the membership
21 interest in any way the member chooses. If a member votes
22 without designating the proportion voted in a particular way,
23 the member is considered to have voted all of the membership
24 interest in that way.
25 Sec. 63. NEW SECTION. 501A.813 VOTING BY ORGANIZATIONS
26 AND LEGAL REPRESENTATIVES.
27 1. MEMBERSHIP INTERESTS HELD BY ANOTHER ORGANIZATION.
28 Membership interests of a cooperative reflected in the
29 required records as being owned by another domestic business
30 entity or foreign business entity may be voted by the
31 chairperson, chief executive officer, or another legal
32 representative of that organization.
33 2. MEMBERSHIP INTERESTS HELD BY SUBSIDIARY. Except as
34 provided in subsection 3, membership interests of a
35 cooperative reflected in the required records as being owned

1 by a subsidiary are not entitled to be voted on any matter.
2 3. MEMBERSHIP INTERESTS CONTROLLED IN A FIDUCIARY
3 CAPACITY. Membership interests of a cooperative in the name
4 of, or under the control of, the cooperative or a subsidiary
5 in a fiduciary capacity are not entitled to be voted on any
6 matter, except to the extent that the settler or beneficiary
7 possesses and exercises a right to vote or gives the
8 cooperative or, with respect to membership interests in the
9 name of or under control of a subsidiary, the subsidiary,
10 binding instructions on how to vote the membership interests.
11 4. VOTING BY CERTAIN REPRESENTATIVES. Subject to section
12 501A.810, membership interests under the control of a person
13 in a capacity as a personal representative, an administrator,
14 executor, guardian, conservator, or the like may be voted by
15 the person, either in person or by proxy, without reflecting
16 in the required records those membership interests in the name
17 of the person.
18 5. VOTING BY TRUSTEES IN BANKRUPTCY OR RECEIVER.
19 Membership interests reflected in the required records in the
20 name of a trustee in bankruptcy or a receiver may be voted by
21 the trustee or receiver either in person or by proxy.
22 Membership interests under the control of a trustee in
23 bankruptcy or a receiver may be voted by the trustee or
24 receiver without reflecting in the required records the name
25 of the trustee or receiver, if authority to do so is contained
26 in an appropriate order of the court by which the trustee or
27 receiver was appointed. The right to vote of trustees in
28 bankruptcy and receivers is subject to section 501A.810.
29 6. MEMBERSHIP INTERESTS HELD BY OTHER ORGANIZATIONS.
30 Membership interests reflected in the required records in the
31 name of a business entity not described in subsections 1
32 through 5 may be voted either in person or by proxy by the
33 legal representative of that business entity.
34 7. GRANT OF SECURITY INTEREST. The grant of a security
35 interest in a membership interest does not entitle the holders

1 of the security interest to vote.
2 Sec. 64. NEW SECTION. 501A.814 PROXIES.
3 1. AUTHORIZATION.
4 a. A patron member may only grant a proxy to vote to
5 another patron member.
6 b. A member may cast or authorize the casting of a vote by
7 any of the following:
8 (1) Filing a written appointment of a proxy with the board
9 at or before the meeting at which the appointment is to be
10 effective.
11 (2) Telephonic transmission or authenticated electronic
12 communication, whether or not accompanied by written
13 instructions of the member, of an appointment of a proxy with
14 the cooperative or the cooperative's duly authorized agent at
15 or before the meeting at which the appointment is to be
16 effective.
17 c. The telephonic transmission or authenticated electronic
18 communication must set forth or be submitted with information
19 from which it can be determined that the appointment was
20 authorized by the member. If it is reasonably concluded that
21 the telephonic transmission or authenticated electronic
22 communication is valid, the inspectors of election or, if
23 there are not inspectors, the other persons making that
24 determination shall specify the information upon which they
25 relied to make that determination. A proxy so appointed may
26 vote on behalf of the member, or otherwise participate, in a
27 meeting by remote communication under section 501A.807, to the
28 extent the member appointing the proxy would have been
29 entitled to participate by remote communication if the member
30 did not appoint the proxy.
31 d. A copy, facsimile, telecommunication, or other
32 reproduction of the original writing or transmission may be
33 substituted or used in lieu of the original writing or
34 transmission for any purpose for which the original
35 transmission could be used, if the copy, facsimile,

1 telecommunication, or other reproduction is a complete and
2 legible reproduction of the entire original writing or
3 transmission.
4 e. An appointment of a proxy for membership interests
5 owned jointly by two or more members is valid if signed or
6 consented to by authenticated electronic communication, by any
7 one of them, unless the cooperative receives from any one of
8 those members written notice or an authenticated electronic
9 communication either denying the authority of that person to
10 appoint a proxy or appointing a different proxy.
11 2. DURATION. The appointment of a proxy is valid for
12 eleven months unless a longer period is expressly provided in
13 the appointment. An appointment is not irrevocable unless the
14 appointment is coupled with an interest in the membership
15 interests or the cooperative.
16 3. TERMINATION. An appointment may be terminated at will
17 unless the appointment is coupled with an interest, in which
18 case the appointment shall not be terminated except in
19 accordance with the terms of an agreement, if any, between the
20 parties to the appointment. Termination may be made by filing
21 written notice of the termination of the appointment with a
22 manager of the cooperative or by filing a new written
23 appointment of a proxy with a manager of the cooperative.
24 Termination in either manner revokes all prior proxy
25 appointments and is effective when filed with a manager of the
26 cooperative.
27 4. REVOCATION BY DEATH OR INCAPACITY. The death or
28 incapacity of a person appointing a proxy does not revoke the
29 authority of the proxy, unless written notice of the death or
30 incapacity is received by a manager of the cooperative before
31 the proxy exercises the authority under that appointment.
32 5. MULTIPLE PROXIES. Unless the appointment specifically
33 provides otherwise, if two or more persons are appointed as
34 proxies for a member, all of the following apply:
35 a. Any one of them may vote the membership interests on

1 each item of business in accordance with specific instructions
2 contained in the appointment.
3 b. If no specific instructions are contained in the
4 appointment with respect to voting the membership interests on
5 a particular item of business, the membership interests must
6 be voted as a majority of the proxies determine. If the
7 proxies are equally divided, the membership interests must not
8 be voted.
9 6. VOTE OF PROXY ACCEPTED AND LIABILITY. Unless the
10 appointment of a proxy contains a restriction, limitation, or
11 specific reservation of authority, the cooperative may accept
12 a vote or action taken by a person named in the appointment.
13 The vote of a proxy is final, binding, and not subject to
14 challenge, but the proxy is liable to the member for damages
15 resulting from a failure to exercise the proxy or from an
16 exercise of the proxy in violation of the authority granted in
17 the appointment.
18 7. LIMITED AUTHORITY. If a proxy is given authority by a
19 member to vote on less than all items of business considered
20 at a meeting of members, the member is considered to be
21 present and entitled to vote by the proxy only with respect to
22 those items of business for which the proxy has authority to
23 vote. A proxy who is given authority by a member who abstains
24 with respect to an item of business is considered to have
25 authority to vote on the item of business for purposes of this
26 subsection.
27 Sec. 65. NEW SECTION. 501A.815 SALE OF PROPERTY AND
28 ASSETS.
29 1. MEMBER APPROVAL NOT REQUIRED. A cooperative may, by
30 affirmative vote of a majority of the board present, upon
31 those terms and conditions and for those considerations, which
32 may be money, securities, or other instruments for the payment
33 of money or other property, as the board considers expedient
34 and without member approval, do any of the following:
35 a. Sell, lease, transfer, or otherwise dispose of all or

1 substantially all of its property and assets in the usual and
2 regular course of its business.
3 b. Grant a security interest in all or substantially all
4 of its property and assets whether or not in the usual and
5 regular course of its business.
6 c. Transfer any or all of its property to a business
7 entity all the ownership interests of which are owned by the
8 cooperative.
9 d. For purposes of debt financing, transfer any or all of
10 its property to a special purpose entity owned or controlled
11 by the cooperative for an asset securitization.
12 2. MEMBER APPROVAL REQUIRED. Except as provided in
13 subsection 1, a cooperative, by affirmative vote of a majority
14 of the board present, may sell, lease, transfer, or otherwise
15 dispose of all or substantially all of its property and
16 assets, including its goodwill, not in the usual and regular
17 course of its business, upon those terms and conditions and
18 for those considerations, which may be money, securities, or
19 other instruments for the payment of money or other property,
20 as the board considers expedient, when approved at a regular
21 or special meeting of the members by the affirmative vote of
22 two-thirds of the voting power voting at the meeting. Ten
23 days' written notice of the meeting must be given to all
24 members whether or not they are entitled to vote at the
25 meeting. The written notice must state that a purpose of the
26 meeting is to consider the sale, lease, transfer, or other
27 disposition of all or substantially all of the property and
28 assets of the cooperative.
29 3. CONFIRMATORY DOCUMENTS. Confirmatory deeds,
30 assignments, or similar instruments to evidence a sale, lease,
31 transfer, or other disposition may be signed and delivered at
32 any time in the name of the transferor by its current
33 chairperson of the board or authorized agents.
34 4. LIABILITY OF TRANSFEREE. The transferee is liable for
35 the debts, obligations, and liabilities of the transferor only

1 to the extent provided in the contract or agreement between
2 the transferee and the transferor or to the extent provided by
3 law.
4 Sec. 66. NEW SECTION. 501A.816 VOTE OF OWNERSHIP
5 INTERESTS HELD BY COOPERATIVE.
6 A cooperative that holds ownership interests of another
7 business entity may, by direction of the cooperative's board,
8 elect or appoint a person to represent the cooperative at a
9 meeting of the business entity. The representative has
10 authority to represent the cooperative and may cast the
11 cooperative's vote at the business entity's meeting.
12 SUBCHAPTER 9
13 MEMBERSHIP INTERESTS
14 Sec. 67. NEW SECTION. 501A.901 MEMBERSHIP INTERESTS.
15 1. PATRON MEMBERSHIP INTERESTS. Patron membership
16 interests shall be the only membership interest of a
17 cooperative unless nonpatron memberships are authorized under
18 subsection 2. If nonpatron interests are authorized, the
19 patron membership interests collectively shall have not less
20 than fifty percent of the cooperative's financial rights to
21 profit allocations and distributions. However, the
22 cooperative's articles or bylaws may be amended by the
23 affirmative vote of patron members to allow the cooperative's
24 financial rights to profit allocations and distributions to
25 patron members collectively to be a lesser amount but in no
26 case less than fifteen percent.
27 2. NONPATRONAGE MEMBERSHIP INTERESTS.
28 a. In order for a cooperative to have nonpatron membership
29 interests, the patron members must approve articles or bylaw
30 provisions authorizing the terms and conditions of the
31 nonpatron membership interests, which may include authorizing
32 the board to determine the terms and conditions of the
33 nonpatron membership interests.
34 b. If nonpatron membership interests are authorized, the
35 cooperative may solicit and issue nonpatron membership

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

1 amending the articles or bylaws at a regular members' meeting
2 or at a special members' meeting called for the purpose of the
3 amendment.
4 4. ISSUANCE OF MEMBERSHIP INTERESTS. Authorized
5 membership interests may be issued on terms and conditions
6 prescribed in the articles, bylaws, or if authorized in the
7 articles or bylaws as determined by the board. The
8 cooperative shall disclose to any person acquiring membership
9 interests to be issued by the cooperative, the organization,
10 capital structure, and known business prospects and risks of
11 the cooperative, the nature of the governance and financial
12 rights of the membership interest being acquired and of other
13 classes of membership and membership interests. The
14 cooperative shall notify all members of the membership
15 interests being issued by the cooperative. A membership
16 interest shall not be issued until subscription price of the
17 membership interest has been paid for in money or property
18 with the value of the property to be contributed approved by
19 the board.
20 5. TRANSFERRING OR SELLING MEMBERSHIP INTERESTS. After
21 issuance by the cooperative, membership interests in a
22 cooperative may only be sold or transferred with the approval
23 of the board. The board may adopt resolutions prescribing
24 procedures to prospectively approve transfers.
25 6. COOPERATIVE FIRST RIGHT TO PURCHASE MEMBERSHIP
26 INTERESTS. The articles or bylaws may provide that the
27 cooperative or the patron members, individually or
28 collectively, have the first privilege of purchasing the
29 membership interests of any class of membership interests
30 offered for sale. The first privilege to purchase membership
31 interests may be satisfied by notice to other members that the
32 membership interests are for sale and a procedure by which
33 members may proceed to attempt to purchase and acquire the
34 membership interests.
35 7. PAYMENT FOR DISSENTING MEMBERSHIP INTERESTS.

1 a. Subject to the provisions in the articles and bylaws, a
2 member may dissent from and obtain payment for the fair value
3 of the member's membership interests in the cooperative if all
4 of the following apply:
5 (1) The majority of the cooperative's member voting power
6 is held by different classes of interests.
7 (2) The articles or bylaws are amended or the cooperative
8 is merged or otherwise combined with another entity in a
9 manner that materially and adversely affects the rights and
10 preferences of the membership interests of the dissenting
11 member.
12 b. The dissenting member shall file a notice of intent to
13 demand fair value of the membership interest with the records
14 officer of the cooperative within thirty days after the
15 amendment of the bylaws and notice of the amendment to
16 members; otherwise, the right of the dissenting member to
17 demand payment of fair value for the membership interest is
18 waived. If a proposed amendment of the articles or bylaws
19 must be approved by the members, a member who is entitled to
20 dissent and who wishes to exercise dissenter's rights shall
21 file a notice to demand fair value of the membership interest
22 with the records officer of the cooperative; otherwise, the
23 right to demand fair value for the membership interest by the
24 dissenting member is waived. After receipt of the dissenting
25 member's demand notice and approval of the amendment, the
26 cooperative has sixty days to rescind the amendment, or
27 otherwise the cooperative shall remit the fair value for the
28 member's interest to the dissenting member by one hundred
29 eighty days after receipt of the notice. Upon receipt of the
30 fair value for the membership interest, the member has no
31 further member rights in the cooperative.
32 Sec. 68. NEW SECTION. 501A.902 ASSIGNMENT OF FINANCIAL
33 RIGHTS.
34 1. ASSIGNMENT OF FINANCIAL RIGHTS PERMITTED. Except as
35 provided in subsection 3, a member's financial rights are

1 transferable in whole or in part.
2 2. EFFECT OF ASSIGNMENT OF FINANCIAL RIGHTS. An
3 assignment of a member's financial rights entitles the
4 assignee to receive, to the extent assigned, only the share of
5 profits and losses and the distributions to which the assignor
6 would otherwise be entitled. An assignment of a member's
7 financial rights does not dissolve the cooperative and does
8 not entitle or empower the assignee to become a member, to
9 exercise any governance rights, to receive any notices from
10 the cooperative, or to cause dissolution. The assignment
11 shall not allow the assignee to control the member's exercise
12 of governance or voting rights.
13 3. RESTRICTIONS OF ASSIGNMENT OF FINANCIAL RIGHTS.
14 a. A restriction on the assignment of financial rights may
15 be imposed in the articles, in the bylaws, in a member control
16 agreement, by a resolution adopted by the members, by an
17 agreement among or other written action by the members, or by
18 an agreement among or other written action by the members and
19 the cooperative. A restriction is not binding with respect to
20 financial rights reflected in the required records before the
21 adoption of the restriction, unless the owners of those
22 financial rights are parties to the agreement or voted in
23 favor of the restriction.
24 b. Subject to paragraph "c", a written restriction on the
25 assignment of financial rights that is not manifestly
26 unreasonable under the circumstances and is noted
27 conspicuously in the required records may be enforced against
28 the owner of the restricted financial rights or a successor or
29 transferee of the owner, including a pledgee or a legal
30 representative. Unless noted conspicuously in the required
31 records, a restriction, even though permitted by this section,
32 is ineffective against a person without knowledge of the
33 restriction.
34 c. With regard to restrictions on the assignment of
35 financial rights, a would-be assignee of financial rights is

1 entitled to rely on a statement of membership interest issued
2 by the cooperative under section 501A.903. A restriction on
3 the assignment of financial rights, which is otherwise valid
4 and in effect at the time of the issuance of a statement of
5 membership interest but which is not reflected in that
6 statement, is ineffective against an assignee who takes an
7 assignment in reliance on the statement.
8 d. Notwithstanding any provision of law, articles, bylaws,
9 member control agreement, other agreement, resolution, or
10 action to the contrary, a security interest in a member's
11 financial rights may be foreclosed and otherwise enforced, and
12 a secured party may assign a member's financial rights in
13 accordance with the uniform commercial code, chapter 554,
14 without the consent or approval of the member whose financial
15 rights are subject to the security interest.
16 Sec. 69. NEW SECTION. 501A.903 NATURE OF A MEMBERSHIP
17 INTEREST AND STATEMENT OF INTEREST OWNED.
18 1. GENERALLY. A membership interest is personal property.
19 A member has no interest in specific cooperative property.
20 All property of the cooperative is property of the
21 cooperative.
22 2. STATEMENT OF MEMBERSHIP INTEREST. At the request of
23 any member, the cooperative shall state in writing the
24 particular membership interest owned by that member as of the
25 date the cooperative makes the statement. The statement must
26 describe the member's rights to vote, if any, to share in
27 profits and losses, and to share in distributions,
28 restrictions on assignments of financial rights under section
29 501A.902, subsection 3, or voting rights under section
30 501A.810 then in effect, as well as any assignment of the
31 member's rights then in effect other than a security interest.
32 3. TERMS OF MEMBERSHIP INTERESTS. All the membership
33 interests of a cooperative are subject to all of the
34 following:
35 a. Membership interests shall be of one class, without

1 series, unless the articles or bylaws establish or authorize
2 the board to establish more than one class or series within
3 classes.
4 b. Ordinary patron membership interests and, if
5 authorized, nonpatron membership interest subject to this
6 chapter are entitled to vote as provided in section 501A.810,
7 and have equal rights and preferences in all matters not
8 otherwise provided for by the board and to the extent that the
9 articles or bylaws have fixed the relative rights and
10 preferences of different classes and series.
11 c. Membership interests share profits and losses and are
12 entitled to distributions as provided in sections 501A.1005
13 and 501A.1006.
14 4. RIGHTS OF JUDGMENT CREDITOR. On application to a court
15 of competent jurisdiction by any judgment creditor of a
16 member, the court may charge a member's or an assignee's
17 financial rights with payment of the unsatisfied amount of the
18 judgment with interest. To the extent so charged, the
19 judgment creditor has only the rights of an assignee of a
20 member's financial rights under section 501A.902. This
21 chapter does not deprive any member or assignee of financial
22 rights of the benefit of any exemption laws applicable to the
23 membership interest. This section is the sole and exclusive
24 remedy of a judgment creditor with respect to the judgment
25 debtor's membership interest.
26 5. a. Subject to any restrictions in the articles or
27 bylaws, the power granted in this subsection may be exercised
28 by a resolution or resolutions establishing a class or series,
29 setting forth the designation of the class or series, and
30 fixing the relative rights and preferences of the class or
31 series. Any of the rights and preferences of a class or
32 series established in the articles, bylaws, or by resolution
33 of the board may do any of the following:
34 (1) Be made dependent upon facts ascertainable outside the
35 articles or bylaws or outside the resolution or resolutions

1 establishing the class or series, if the manner in which the
2 facts operate upon the rights and preferences of the class or
3 series is clearly and expressly set forth in the articles or
4 bylaws or in the resolution or resolutions establishing the
5 class or series.
6 (2) Include by reference some or all of the terms of any
7 agreements, contracts, or other arrangements entered into by
8 the cooperative in connection with the establishment of the
9 class or series if the cooperative retains at its principal
10 executive office a copy of the agreements, contracts, or other
11 arrangements or the portions will be included by reference.
12 b. A statement setting forth the name of the cooperative
13 and the text of the resolution and certifying the adoption of
14 the resolution and the date of adoption must be given to the
15 members before the acceptance of any contributions for which
16 the resolution creates rights or preferences not set forth in
17 the articles or bylaws. Where the members have received
18 notice of the creation of membership interests with rights or
19 preferences not set forth in the articles or bylaws before the
20 acceptance of the contributions with respect to the membership
21 interests, the statement may be filed anytime within one year
22 after the acceptance of the contributions. The resolution is
23 effective three days after delivery to the members is deemed
24 effective by the board, or, if the statement is not required
25 to be given to the members before the acceptance of
26 contributions, on the date of its adoption by the directors.
27 6. SPECIFIC TERMS. Without limiting the authority granted
28 in this section, in regulating the membership interests of a
29 class or series, a cooperative may do any of the following:
30 a. Subject to the right of the cooperative to redeem any
31 of those membership interests at the price fixed for their
32 redemption by the articles or bylaws or by the board.
33 b. Entitle the members to receive cumulative, partially
34 cumulative, or noncumulative distributions.
35 c. Provide a preference over any class or series of

1 membership interests for the payment of distributions of any
2 or all kinds.
3 d. Convert into membership interests of any other class or
4 any series of the same or another class.
5 e. Provide full, partial, or no voting rights, except as
6 provided in section 501A.810.
7 7. GRANT OF A SECURITY INTEREST. For the purpose of any
8 law relating to security interests, membership interests,
9 governance or voting rights, and financial rights are each to
10 be characterized as provided in section 554.8103, subsection
11 3.
12 8. POWERS OF ESTATE OF A DECEASED OR INCOMPETENT MEMBER.
13 a. If a member who is an individual dies or a court of
14 competent jurisdiction adjudges the member to be incompetent
15 to manage the member's person or property, or an order for
16 relief under the bankruptcy code is entered with respect to
17 the member, the member's executor, administrator, guardian,
18 conservator, trustee, or other legal representative may
19 exercise all of the member's rights for the purpose of
20 settling the estate or administering the member's property.
21 If a member is a business entity, trust, or other entity and
22 is dissolved, terminated, or placed by a court in receivership
23 or bankruptcy, the powers of that member may be exercised by
24 its legal representative or successor.
25 b. If an event referred to in paragraph "a" causes the
26 termination of a member's membership interest and the
27 termination does not result in dissolution, then, subject to
28 the articles and bylaws, all of the following apply:
29 (1) As provided in section 501A.902, the terminated
30 member's interest will be considered to be merely that of an
31 assignee of the financial rights owned before the termination
32 of membership.
33 (2) The rights to be exercised by the legal representative
34 of the terminated member shall be limited accordingly.
35 9. LIABILITY OF SUBSCRIBERS AND MEMBERS WITH RESPECT TO

1 MEMBERSHIP INTERESTS. A person who subscribes to or owns a
2 membership interest in a cooperative is under no obligation to
3 the cooperative or its creditors with respect to the
4 membership interests subscribed for or owned, except to pay to
5 the cooperative the full consideration for which the
6 membership interests are issued or to be issued.
7 Sec. 70. NEW SECTION. 501A.904 CERTIFICATED MEMBERSHIP
8 INTERESTS.
9 1. CERTIFICATED -- UNCERTIFICATED. The membership
10 interests of a cooperative shall be either certificated or
11 uncertificated. Each holder of certificated membership
12 interests issued is entitled to a certificate of membership
13 interest.
14 2. SIGNATURE REQUIRED. Certificates shall be signed by an
15 agent or officer authorized in the articles or bylaws to sign
16 share certificates or, in the absence of an authorization, by
17 the chairperson or records officer of the cooperative.
18 3. SIGNATURE VALID. If a person signs or has a facsimile
19 signature placed upon a certificate while the chairperson, an
20 officer, transfer agent, or records officer of a cooperative,
21 the certificate may be issued by the cooperative, even if the
22 person has ceased to have that capacity before the certificate
23 is issued, with the same effect as if the person had that
24 capacity at the date of its issue.
25 4. FORM OF CERTIFICATE. A certificate representing
26 membership interests of a cooperative shall contain on its
27 face all of the following:
28 a. The name of the cooperative.
29 b. A statement that the cooperative is organized under the
30 laws of this state and this chapter.
31 c. The name of the person to whom the certificate is
32 issued.
33 d. The number and class of membership interests, and the
34 designation of the series, if any, that the certificate
35 represents.

1 e. A statement that the membership interests in the
2 cooperative are subject to the articles and bylaws of the
3 cooperative.
4 f. Any restrictions on transfer, including approval of the
5 board, if applicable, first rights of purchase by the
6 cooperative, and other restrictions on transfer, which may be
7 stated by reference to the back of the certificate or to
8 another document.
9 5. LIMITATIONS SET FORTH. A certificate representing
10 membership interests issued by a cooperative authorized to
11 issue membership interests of more than one class or series
12 shall set forth upon the face or back of the certificate, or
13 shall state that the cooperative will furnish to any member
14 upon request and without charge, a full statement of the
15 designations, preferences, limitations, and relative rights of
16 the membership interests of each class or series authorized to
17 be issued, so far as they have been determined, and the
18 authority of the board to determine the relative rights and
19 preferences of subsequent classes or series.
20 6. PRIMA FACIE EVIDENCE. A certificate signed as provided
21 in subsection 2 is prima facie evidence of the ownership of
22 the membership interests referred to in the certificate.
23 7. UNCERTIFICATED MEMBERSHIP INTERESTS. Unless
24 uncertificated membership interests are prohibited by the
25 articles or bylaws, a resolution approved by the affirmative
26 vote of a majority of the directors present may provide that
27 some or all of any or all classes and series of its membership
28 interests will be uncertificated membership interests.
29 The resolution does not apply to membership interests
30 represented by a certificate until the certificate is
31 surrendered to the cooperative. Within a reasonable time
32 after the issuance or transfer of uncertificated membership
33 interests, the cooperative shall send to the new member the
34 information required by this section to be stated on
35 certificates. This information is not required to be sent to

1 the new holder by a publicly held cooperative that has adopted
2 a system of issuance, recordation, and transfer of its
3 membership interests by electronic or other means not
4 involving an issuance of certificates if the system complies
5 with section 17A of the Securities Exchange Act of 1934, 15
6 U.S.C. § 78a et seq. Except as otherwise expressly provided
7 by statute, the rights and obligations of the holders of
8 certificated and uncertificated membership interests of the
9 same class and series are identical.
10 Sec. 71. NEW SECTION. 501A.905 LOST CERTIFICATES --
11 REPLACEMENT.
12 1. ISSUANCE. A new membership interest certificate may be
13 issued under section 554.8405 in place of one that is alleged
14 to have been lost, stolen, or destroyed.
15 2. NOT OVERISSUE. The issuance of a new certificate under
16 this section does not constitute an overissue of the
17 membership interests the new certificate represents.
18 Sec. 72. NEW SECTION. 501A.906 RESTRICTION ON TRANSFER
19 OR REGISTRATION OF MEMBERSHIP INTERESTS.
20 1. HOW IMPOSED. A restriction on the transfer or
21 registration of transfer of membership interests of a
22 cooperative may be imposed in the articles, in the bylaws, by
23 a resolution adopted by the members, or by an agreement among
24 or other written action by a number of members or holders of
25 other membership interests or among them and the cooperative.
26 A restriction is not binding with respect to membership
27 interests issued prior to the adoption of the restriction,
28 unless the holders of those membership interests are parties
29 to the agreement or voted in favor of the restriction.
30 2. RESTRICTIONS PERMITTED. A written restriction on the
31 transfer or registration of transfer of membership interests
32 of a cooperative that is not manifestly unreasonable under the
33 circumstances may be enforced against the holder of the
34 restricted membership interests or a successor or transferee
35 of the holder, including a pledgee or a legal representative,

1 if the restriction is any of the following:
2 a. Noted conspicuously on the face or back of the
3 certificate.
4 b. Included in this chapter or the articles or bylaws.
5 c. Included in information sent to the holders of
6 uncertificated membership interests.
7 Unless otherwise restricted by this chapter, the articles,
8 bylaws, noted conspicuously on the face or back of the
9 certificate, or included in information sent to the holders of
10 uncertificated membership interests, a restriction, even
11 though permitted by this section, is ineffective against a
12 person without knowledge of the restriction. A restriction
13 under this section is deemed to be noted conspicuously and is
14 effective if the existence of the restriction is stated on the
15 certificate and reference is made to a separate document
16 creating or describing the restriction.
17 SUBCHAPTER 10
18 CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS
19 Sec. 73. NEW SECTION. 501A.1001 AUTHORIZATION, FORM, AND
20 ACCEPTANCE OF CONTRIBUTIONS.
21 1. Subject to any restrictions in this chapter regarding
22 patron and nonpatron membership interests or in the articles
23 or bylaws, and only when authorized by the board, a
24 cooperative may accept contributions, which may be patron or
25 nonpatron membership contributions as determined by the board
26 under subsections 2 and 3, make contribution agreements under
27 section 501A.1003, and make contribution rights agreements
28 under section 501A.1004.
29 2. PERMISSIBLE FORMS. A person may make a contribution to
30 a cooperative by any of following:
31 a. Paying money or transferring the ownership of an
32 interest in property to the cooperative or rendering services
33 to or for the benefit of the cooperative.
34 b. Executing a written obligation signed by the person to
35 pay money or transfer ownership of an interest in property to

1 the cooperative or to perform services to or for the benefit
2 of the cooperative.
3 3. A purported contribution shall not be treated or
4 considered as a contribution, unless all of the following
5 apply:
6 a. The board accepts the contribution on behalf of the
7 cooperative and in that acceptance describes the contribution,
8 including terms of future performance, if any, and states the
9 value being accorded to the contribution.
10 b. The fact of contribution and the contribution's
11 accorded value are both reflected in the required records of
12 the cooperative.
13 4. The determinations of the board as to the amount or
14 fair value or the fairness to the cooperative of the
15 contribution accepted or to be accepted by the cooperative or
16 the terms of payment or performance, including under a
17 contribution rights in section 501A.1003, and a contribution
18 rights agreement in section 501A.1004, are presumed to be
19 proper if they are made in good faith and on the basis of
20 accounting methods, or a fair valuation or other method,
21 reasonable in the circumstances. Directors who are present
22 and entitled to vote, and who, intentionally or without
23 reasonable investigation, fail to vote against approving a
24 consideration that is unfair to the cooperative, or overvalue
25 property or services received or to be received by the
26 cooperative as a contribution, are jointly and severally
27 liable to the cooperative for the benefit of the then members
28 who did not consent to and are damaged by the action to the
29 extent of the damages of those members. A director against
30 whom a claim is asserted under this subsection, except in case
31 of knowing participation in a deliberate fraud, is entitled to
32 contribution on an equitable basis from other directors who
33 are liable under this subsection.
34 Sec. 74. NEW SECTION. 501A.1002 RESTATEMENT OF VALUE OF
35 PREVIOUS CONTRIBUTIONS.

1 1. DEFINITION. As used in this section, an "old
2 contribution" is a contribution reflected in the required
3 records of a cooperative before the time the cooperative
4 accepts a new contribution.
5 2. RESTATEMENT REQUIRED. Whenever a cooperative accepts a
6 new contribution, the board shall restate, as required by this
7 section, the value of all old contributions.
8 3. RESTATEMENT AS TO PARTICULAR SERIES OR CLASS TO WHICH
9 NEW CONTRIBUTION PERTAINS.
10 a. Unless otherwise provided in a cooperative's articles
11 or bylaws, this subsection sets forth the method of restating
12 the value of old contributions that pertain to the same series
13 or class to which the new contribution pertains. In restating
14 the value, the cooperative shall do all of the following:
15 (1) State the value the cooperative has accorded to the
16 new contribution under section 504A.1001, subsection 3,
17 paragraph "a".
18 (2) Determine what percentage the value stated under
19 subparagraph (1) will constitute, after the restatement
20 required by this subsection, of the total value of all
21 contributions that pertain to the particular series or class
22 to which the new contribution pertains.
23 (3) Divide the value stated under subparagraph (1) by the
24 percentage determined under subparagraph (2), yielding the
25 total value, after the restatement required by this
26 subsection, of all contributions pertaining to the particular
27 series or class.
28 (4) Subtract the value stated under subparagraph (1) from
29 the value determined under subparagraph (3), yielding the
30 total value, after the restatement required by this
31 subsection, of all the old contributions pertaining to the
32 particular series or class.
33 (5) Subtract the value, as reflected in the required
34 records before the restatement required by this subsection, of
35 the old contributions from the value determined under

1 subparagraph (4), yielding the value to be allocated among and
2 added to the old contributions pertaining to the particular
3 series or class.
4 (6) Allocate the value determined under subparagraph (5)
5 proportionally among the old contributions pertaining to the
6 particular series or class, add the allocated values to those
7 old contributions, and change the required records
8 accordingly.
9 b. The values determined under paragraph "a", subparagraph
10 (5), and allocated and added under paragraph "a", subparagraph
11 (6), may be positive, negative, or zero.
12 4. RESTATEMENT METHOD FOR OTHER SERIES OR CLASS. Unless
13 otherwise provided in a cooperative's articles or bylaws, this
14 subsection sets forth the method of restating the value of old
15 contributions that do not pertain to the same series or class
16 to which the new contribution pertains. In restating the
17 value, the cooperative shall do all of the following:
18 a. Determine the percentage by which the restatement under
19 subsection 3 has changed the total contribution value
20 reflected in the required records for the series or class to
21 which the new contribution pertains.
22 b. As to each old contribution that does not pertain to
23 the same series or class to which the new contribution
24 pertains, change the value reflected in the required records
25 by the percentage determined under paragraph "a". The
26 percentage determined under paragraph "a" may be positive,
27 negative, or zero.
28 5. NEW CONTRIBUTIONS MAY BE AGGREGATED. If a cooperative
29 accepts more than one contribution pertaining to the same
30 series or class at the same time, then for the purpose of the
31 restatement required by this section, the cooperative may
32 consider all the new contributions a single contribution.
33 Sec. 75. NEW SECTION. 501A.1003 CONTRIBUTION AGREEMENTS.
34 1. SIGNED WRITING. A contribution agreement, whether made
35 before or after the formation of the cooperative, is not

1 enforceable against the would-be contributor unless it is in
2 writing and signed by the would-be contributor.
3 2. IRREVOCABLE PERIOD. Unless otherwise provided in the
4 contribution agreement, or unless all of the would-be
5 contributors and, if in existence, the cooperative, consent to
6 a shorter or longer period, a contribution agreement is
7 irrevocable for a period of six months.
8 3. CURRENT AND DEFERRED PAYMENT. A contribution
9 agreement, whether made before or after the formation of a
10 cooperative, must be paid or performed in full at the time or
11 times, or in the installments, if any, specified in the
12 contribution agreement. In the absence of a provision in the
13 contribution agreement specifying the time at which the
14 contribution is to be paid or performed, the contribution must
15 be paid or performed at the time or times determined by the
16 board. However, a call made by the board for payment or
17 performance on contributions must be uniform for all
18 membership interests of the same class or for all membership
19 interests of the same series.
20 4. FAILURE TO PAY REMEDIES.
21 a. Unless otherwise provided in the contribution
22 agreement, in the event of default in the payment or
23 performance of an installment or call when due, the
24 cooperative may proceed to collect the amount due in the same
25 manner as a debt due the cooperative. If a would-be
26 contributor does not make a required contribution of property
27 or services, the cooperative shall require the would-be
28 contributor to contribute cash equal to that portion of the
29 value, as stated in the cooperative's required records, of the
30 contribution that has not been made.
31 b. If the amount due under a contribution agreement
32 remains unpaid for a period of twenty days after written
33 notice of demand for payment has been given to the delinquent
34 would-be contributor, the membership interests that were
35 subject to the contribution agreement may be offered for sale

1 by the cooperative for a price in money equaling or exceeding
2 the sum of the full balance owed by the delinquent would-be
3 contributor plus the expenses incidental to the sale.
4 If the membership interests that were subject to the
5 contribution agreement are sold according to this paragraph
6 "b", the cooperative shall pay to the delinquent would-be
7 contributor or to the delinquent would-be contributor's legal
8 representative the lesser of one of the following:
9 (1) The excess of net proceeds realized by the cooperative
10 over the sum of the amount owed by the delinquent would-be
11 contributor plus the expenses incidental to the sale, less any
12 penalty stated in the contribution agreement, which may
13 include forfeiture of the partial contribution.
14 (2) The amount actually paid by the delinquent would-be
15 contributor.
16 If the membership interests that were subject to the
17 contribution agreement are not sold according to this
18 paragraph "b", the cooperative may collect the amount due in
19 the same manner as a debt due the cooperative or cancel the
20 contribution agreement according to paragraph "c".
21 c. If the amount due under a contribution agreement
22 remains unpaid for a period of twenty days after written
23 notice of demand for payment has been given to the delinquent
24 would-be contributor and the membership interests that were
25 subject to the defaulted contribution agreement have not been
26 sold according to paragraph "b", the cooperative may cancel
27 the contribution agreement. In addition, the cooperative may
28 retain any portion of the contribution agreement price
29 actually paid as provided in the contribution agreement. The
30 cooperative shall refund to the delinquent would-be
31 contributor or the delinquent would-be contributor's legal
32 representatives any portion of the contribution agreement
33 price as provided in the contribution agreement.
34 5. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided
35 in the articles or bylaws, a would-be contributor's rights

1 under a contribution agreement shall not be assigned, in whole
2 or in part, to a person who was not a member at the time of
3 the assignment, unless all the members approve the assignment
4 by unanimous written consent.
5 Sec. 76. NEW SECTION. 501A.1004 CONTRIBUTION RIGHTS
6 AGREEMENTS.
7 1. AGREEMENTS PERMITTED. Subject to any restrictions in a
8 cooperative's articles or bylaws, the cooperative may enter
9 into contribution rights agreements under the terms,
10 provisions, and conditions established by board resolution.
11 2. WRITING REQUIRED AND TERMS TO BE STATED. Any
12 contribution rights agreement must be in writing and the
13 writing must state in full, summarize, or include by reference
14 all the agreement's terms, provisions, and conditions of the
15 rights to make contributions.
16 3. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided
17 in a cooperative's articles or bylaws, a would-be
18 contributor's rights under a contribution rights agreement
19 shall not be assigned, in whole or in part, to a person who
20 was not a member at the time of the assignment, unless all the
21 members approve the assignment by unanimous written consent.
22 Sec. 77. NEW SECTION. 501A.1005 ALLOCATIONS AND
23 DISTRIBUTIONS TO MEMBERS.
24 1. ALLOCATION OF PROFITS AND LOSSES. If nonpatron
25 membership interests are authorized by the patrons, the bylaws
26 shall prescribe the allocation of profits and losses between
27 patron membership interests collectively and any other
28 membership interests. If the bylaws do not otherwise provide,
29 the profits and losses between patron membership interests
30 collectively and other membership interests shall be allocated
31 on the basis of the value of contributions to capital made by
32 the patron membership interests collectively and other
33 membership interests accepted by the cooperative. The
34 allocation of profits to the patron membership interests
35 collectively shall not be less than fifty percent of the total

1 profits in any fiscal year, except if authorized in the
2 cooperative's articles or bylaws that are adopted by an
3 affirmative vote of the patron members, or in the articles or
4 bylaws as amended by the affirmative vote of the patron
5 members. However, the allocation of profits to the patron
6 membership interests collectively shall not be less than
7 fifteen percent of the total profits in any fiscal year.
8 2. DISTRIBUTION OF CASH OR OTHER ASSETS. A cooperative's
9 bylaws shall prescribe the distribution of cash or other
10 assets of the cooperative among the membership interests of
11 the cooperative. If nonpatron membership interests are
12 authorized by the patrons and the bylaws do not provide
13 otherwise, distributions and allocations shall be made to the
14 patron membership interests collectively and other members on
15 the basis of the value of contributions to capital made and
16 accepted by the cooperative, by the patron membership
17 interests collectively, and other membership interests. The
18 distributions to patron membership interests collectively
19 shall not be less than fifty percent of the total
20 distributions in any fiscal year, except if authorized in the
21 articles or bylaws adopted by the affirmative vote of the
22 patron members, or the articles or bylaws as amended by the
23 affirmative vote of the patron members. However, the
24 distributions to patron membership interests collectively
25 shall not be less than fifteen percent of the total
26 distributions in any fiscal year.
27 Sec. 78. NEW SECTION. 501A.1006 ALLOCATIONS AND
28 DISTRIBUTIONS TO PATRON MEMBERS.
29 1. DISTRIBUTION OF NET INCOME. A cooperative may set
30 aside a portion of net income allocated to the patron
31 membership interests as the board determines advisable to
32 create or maintain a capital reserve.
33 2. RESERVES. In addition to a capital reserve, the board
34 may, for patron membership interests, do any of the following:
35 a. Set aside an amount not to exceed five percent of the

1 annual net income of the cooperative for promoting and
2 encouraging cooperative organization.
3 b. Establish and accumulate reserves for new buildings,
4 machinery and equipment, depreciation, losses, and other
5 proper purposes.
6 3. PATRONAGE DISTRIBUTIONS. Net income allocated to
7 patron members in excess of dividends on equity and additions
8 to reserves shall be distributed to patron members on the
9 basis of patronage. A cooperative may establish allocation
10 units, whether the units are functional, divisional,
11 departmental, geographic, or otherwise. The cooperative may
12 provide for pooling arrangements. The cooperative may account
13 for and distribute net income to patrons on the basis of
14 allocation units and pooling arrangements. A cooperative may
15 offset the net loss of an allocation unit or pooling
16 arrangement against the net income of other allocation units
17 or pooling arrangements.
18 4. FREQUENCY OF DISTRIBUTION. A distribution of net
19 income shall be made at least annually. The board shall
20 present to the members at their annual meeting a report
21 covering the operations of the cooperative during the
22 preceding fiscal year.
23 5. FORM OF DISTRIBUTION. A cooperative may distribute net
24 income to patron members in cash, capital credits, allocated
25 patronage equities, revolving fund certificates, or its own or
26 other securities.
27 6. ELIGIBLE NONMEMBER PATRONS. A cooperative may provide
28 in the bylaws that nonmember patrons are allowed to
29 participate in the distribution of net income, payable to
30 patron members on equal terms with patron members.
31 7. PATRONAGE CREDITS FOR INELIGIBLE MEMBERS. If a
32 nonmember patron with patronage credits is not qualified or
33 eligible for membership, a refund due may be credited to the
34 nonmember patron's individual account. The board may issue a
35 certificate of interest to reflect the credited amount. After

1 the nonmember patron is issued a certificate of interest, the
2 nonmember patron may participate in the distribution of income
3 on the same basis as a patron member.
4 Sec. 79. NEW SECTION. 501A.1007 MEMBER CONTROL
5 AGREEMENTS.
6 1. AUTHORIZATION. A written agreement among persons who
7 are then members, including a sole member, or who have signed
8 subscription or contribution agreements, relating to the
9 control of any phase of the business and affairs of the
10 cooperative, its liquidation, dissolution and termination, or
11 the relations among members or persons who have signed
12 subscription or contribution agreements is valid as provided
13 in subsection 2. Other than the authorization of nonpatron
14 membership interests as provided in section 501A.901 and
15 nonpatron voting rights as provided in section 501A.810,
16 whenever this chapter provides that a particular result may or
17 must be obtained through a provision in a cooperative's
18 articles or bylaws, the same result can be accomplished
19 through a member control agreement valid under this section or
20 through a procedure established by a member control agreement
21 valid under this section. However, the member control
22 agreement must be authorized by the cooperative's articles or
23 bylaws and cannot conflict with the cooperative's articles or
24 bylaws. Any result accomplished through a membership control
25 agreement under this section must be properly disclosed as
26 provided in section 501A.901.
27 2. VALID EXECUTION. Other than patron member voting
28 control under section 501A.810 and patron member allocation
29 and distribution provisions under sections 501A.1005 and
30 501A.1006, a written agreement among persons described in
31 subsection 1 that relates to the control of or the
32 liquidation, dissolution, and termination of the cooperative,
33 the relations among them, or any phase of the business and
34 affairs of the cooperative is valid if it meets the
35 requirements of this subsection. This includes but is not

1 limited to the management of its business, the declaration and
2 payment of distributions, the sharing of profits and losses,
3 the election of directors, the employment of members by the
4 cooperative, or the arbitration of disputes. The written
5 agreement must be signed by all persons who are then the
6 members of the cooperative, whether or not the members all
7 have voting power, and all those who have signed contribution
8 agreements, regardless of whether those signatories will, when
9 members, have voting power.
10 3. OTHER AGREEMENTS NOT AFFECTED. This section does not
11 apply to, limit, or restrict agreements otherwise valid, nor
12 is the procedure set forth in this section the exclusive
13 method of agreement among members or between the members and
14 the cooperative with respect to any of the matters described.
15 Sec. 80. NEW SECTION. 501A.1008 REVERSION OF
16 DISBURSEMENTS.
17 1. Once a person's membership interest or other member's
18 equity in a cooperative is deemed abandoned under section
19 556.5, the cooperative may retain any disbursement held by the
20 cooperative for or owing to the person. The cooperative may
21 also deliver the disbursement to the treasurer of state for
22 disposition as abandoned property pursuant to sections 556.5
23 and 556.11.
24 2. If the cooperative elects to retain the disbursement
25 under this section, the disbursement shall be deposited into a
26 reversion fund established by the cooperative.
27 3. A disbursement having an aggregate value of fifty
28 dollars or more that is retained by the cooperative shall be
29 forfeited to the cooperative only if the cooperative publishes
30 at least one notice of the abandoned property in a publication
31 regularly distributed to its membership or in a newspaper
32 having a general circulation in the county where the
33 cooperative is located. The notice shall include all of the
34 following:
35 a. The name and address of the cooperative.

1 b. The name of the person who has an interest in the
2 disbursement according to the records of the cooperative.
3 c. A brief description of the type of disbursement
4 retained by the cooperative.
5 d. A statement that the disbursement will be forfeited to
6 the cooperative unless the person files a claim for the
7 disbursement within the period provided for in this section.
8 4. a. Subject to this subsection, a person asserting an
9 interest in the disbursement may file a claim for it with the
10 cooperative in a manner and according to procedures required
11 by the cooperative. If a person is entitled to an abandoned
12 membership interest, or other interest as provided in section
13 556.20 or 556.21, the cooperative shall also pay the person
14 the disbursement deposited in the reversion fund that is
15 realized or accrued from the membership interest or other
16 interest.
17 b. If a person has not filed a claim for the disbursement
18 within six months after the first date that the notice of
19 abandoned property is first published as provided in this
20 section, the disbursement shall be forfeited to the
21 cooperative.
22 5. The disbursements deposited into the reversion fund
23 that are forfeited to the cooperative shall be used as
24 provided in this subsection. The cooperative may authorize
25 the payment of forfeited disbursements to persons claiming
26 interests in forfeited disbursements as provided in the
27 cooperative's articles of organization or bylaws. Otherwise,
28 forfeited disbursements shall be used as the directors deem
29 suitable for any of the following purposes:
30 a. Teaching and promoting cooperation. The directors may
31 deposit the amounts of disbursements into the education fund
32 as established by the cooperative.
33 b. Economic development including private or joint public
34 and private investments involving the creation of economic
35 opportunities for its members or the retention of existing

1 sources of income that would otherwise be lost.
2 SUBCHAPTER 11
3 MERGER AND CONVERSION
4 Sec. 81. NEW SECTION. 501A.1101 MERGER AND
5 CONSOLIDATION.
6 1. AUTHORIZATION. Unless otherwise prohibited,
7 cooperatives organized under the laws of this state, including
8 cooperatives organized under this chapter or traditional
9 cooperatives, may merge or consolidate with each other, an
10 Iowa limited liability company under the provisions of section
11 490A.1207, or other business entities organized under the laws
12 of another state by complying with the provisions of this
13 section and the law of the state where the surviving or new
14 business entity will exist. A cooperative shall not merge or
15 consolidate with a business entity organized under the laws of
16 this state, other than a traditional cooperative unless the
17 law governing the business entity expressly authorizes merger
18 or consolidation with a cooperative. This subsection does not
19 authorize a foreign business entity to do any act not
20 authorized by the law governing the foreign business entity.
21 2. PLAN. To initiate a merger or consolidation of a
22 cooperative, a written plan of merger or consolidation shall
23 be prepared by the board or by a committee selected by the
24 board to prepare a plan. The plan shall state all of the
25 following:
26 a. The names of the constituent domestic cooperative, the
27 name of any Iowa limited liability company that is a party to
28 the merger, to the extent authorized under section 490A.1207,
29 and any foreign business entities.
30 b. The name of the surviving or new domestic cooperative,
31 Iowa limited liability company as required by section
32 490A.1207, or other foreign business entity.
33 c. The manner and basis of converting membership or
34 ownership interests of the constituent domestic cooperative,
35 the surviving Iowa limited liability company as provided in

1 section 490A.1207, or foreign business entity into membership
2 or ownership interests in the surviving or new domestic
3 cooperative, the surviving Iowa limited liability company as
4 authorized in section 490A.1207, or foreign business entity.
5 d. The terms of the merger or consolidation.
6 e. The proposed effect of the merger or consolidation on
7 the members and patron members of each constituent domestic
8 cooperative.
9 f. For a consolidation, the plan shall contain the
10 articles of the entity or organizational documents to be filed
11 with the state in which the entity is organized or, if the
12 surviving organization is an Iowa limited liability company,
13 the articles of organization.
14 3. NOTICE. The following shall apply to notice:
15 a. The board shall mail or otherwise transmit or deliver
16 notice of the merger or consolidation to each member. The
17 notice shall contain the full text of the plan, and the time
18 and place of the meeting at which the plan will be considered.
19 b. A cooperative with more than two hundred members may
20 provide the notice in the same manner as a regular members'
21 meeting notice.
22 4. ADOPTION OF PLAN.
23 a. A plan of merger or consolidation shall be adopted by a
24 domestic cooperative as provided in this subsection.
25 b. The plan of merger or consolidation is adopted if all
26 of the following apply:
27 (1) A quorum of the members eligible to vote is registered
28 as being present or represented by mail vote or alternative
29 ballot at the meeting.
30 (2) The plan is approved by the patron members, or if
31 otherwise provided in the articles or bylaws, is approved by a
32 majority of the votes cast in each class of votes cast. For a
33 domestic cooperative with articles or bylaws requiring more
34 than a majority of the votes cast or other conditions for
35 approval, the plan must be approved by a proportion of the

1 votes cast or a number of total members as required by the
2 articles or bylaws and the conditions for approval in the
3 articles or bylaws have been satisfied.
4 c. After the plan has been adopted, articles of merger or
5 consolidation stating the plan and that the plan was adopted
6 according to this subsection shall be signed by the
7 chairperson, vice chairperson, records officer, or documents
8 officer of each cooperative merging or consolidating.
9 d. The articles of merger or consolidation shall be filed
10 in the office of the secretary.
11 e. For a merger, the articles of the surviving domestic
12 cooperative subject to this chapter are deemed amended to the
13 extent provided in the articles of merger.
14 f. Unless a later date is provided in the plan, the merger
15 or consolidation is effective when the articles of merger or
16 consolidation are filed in the office of the secretary or the
17 appropriate office of another jurisdiction.
18 g. The secretary shall issue a certificate of organization
19 of the merged or consolidated cooperative.
20 5. EFFECT OF MERGER. For a merger that does not involve
21 an Iowa limited liability company, the following shall apply
22 to the effect of a merger:
23 a. After the effective date, the domestic cooperative,
24 Iowa limited liability company, if party to the plan, and any
25 foreign business entity that is a party to the plan become a
26 single entity. For a merger, the surviving business entity is
27 the business entity designated in the plan. For a
28 consolidation, the new domestic cooperative, the Iowa limited
29 liability company, if any, and any foreign business entity is
30 the business entity provided for in the plan. Except for the
31 surviving or new domestic cooperative, Iowa limited liability
32 company, or foreign business entity, the separate existence of
33 each merged or consolidated domestic or foreign business
34 entity that is a party to the plan ceases on the effective
35 date of the merger or consolidation.

1 b. The surviving or new domestic cooperative, Iowa limited
2 liability company, or foreign business entity possesses all of
3 the rights and property of each of the merged or consolidated
4 business entities and is responsible for all their
5 obligations. The title to property of the merged or
6 consolidated domestic cooperative, Iowa limited liability
7 company, or foreign business entity is vested in the surviving
8 or new domestic cooperative, Iowa limited liability company,
9 or foreign business entity without reversion or impairment of
10 the title caused by the merger or consolidation.
11 c. If a merger involves an Iowa limited liability company,
12 this subsection is subject to the provisions of section
13 490A.1207.
14 Sec. 82. NEW SECTION. 501A.1102 MERGER OF SUBSIDIARY.
15 1. WHEN AUTHORIZED -- CONTENTS OF PLAN. For purposes of
16 this section, "subsidiary" means a domestic cooperative, an
17 Iowa limited liability company, or a foreign cooperative.
18 2. An Iowa limited liability company may only participate
19 in a merger under this section to the extent authorized under
20 section 490A.1207. A parent domestic cooperative or a
21 subsidiary that is a domestic cooperative may complete the
22 merger of a subsidiary as provided in this section. However,
23 if either the parent cooperative or the subsidiary is a
24 business entity organized under the laws of this state, the
25 merger of the subsidiary is not authorized under this section
26 unless the law governing the business entity expressly
27 authorizes merger with a cooperative.
28 a. A parent cooperative owning at least ninety percent of
29 the outstanding ownership interests of each class and series
30 of a subsidiary directly, or indirectly through related
31 organizations, other than classes or series that, absent this
32 section, would otherwise not be entitled to vote on the
33 merger, may merge the subsidiary into itself or into any other
34 subsidiary at least ninety percent of the outstanding
35 ownership interests of each class and series of which is owned

1 by the parent cooperative directly, or indirectly through
2 related organizations, other than classes or series that,
3 absent this section, would otherwise not be entitled to vote
4 on the merger, without a vote of the members of itself or any
5 subsidiary or may merge itself, or itself and one or more of
6 the subsidiaries, into one of the subsidiaries under this
7 section. A resolution approved by the affirmative vote of a
8 majority of the directors of the parent cooperative present
9 shall set forth a plan of merger that contains all of the
10 following:
11 (1) The name of the subsidiary or subsidiaries, the name
12 of the parent cooperative, and the name of the surviving
13 cooperative.
14 (2) The manner and basis of converting the membership
15 interests of the subsidiary or subsidiaries or parent
16 cooperative into securities of the parent cooperative,
17 subsidiary, or of another cooperative or, in whole or in part,
18 into money or other property.
19 (3) If the parent cooperative is a constituent cooperative
20 but is not the surviving cooperative in the merger, a
21 provision for the pro rata issuance of membership interests of
22 the surviving cooperative to the holders of membership
23 interests of the parent on surrender of any certificates for
24 shares or membership interests of the parent cooperative.
25 (4) If the surviving cooperative is a subsidiary, a
26 statement of any amendments to the articles of the surviving
27 cooperative that will be part of the merger.
28 b. If the parent is a constituent cooperative and the
29 surviving cooperative in the merger, the parent cooperative
30 may change its cooperative name, without a vote of its
31 members, by the inclusion of a provision to that effect in the
32 resolution of merger setting forth the plan of merger that is
33 approved by the affirmative vote of a majority of the
34 directors of the parent cooperative present. Upon the
35 effective date of the merger, the name of the parent

1 cooperative shall be changed.
2 c. If the parent cooperative is a constituent cooperative
3 but is not the surviving cooperative in the merger, the
4 resolution is not effective unless the resolution is also
5 approved by the affirmative vote of the holders of a majority
6 of the voting power of all membership interests of the parent
7 entitled to vote at a regular or special meeting if the parent
8 is a cooperative, or in accordance with the laws under which
9 the parent is organized if the parent is a foreign business
10 entity or foreign cooperative.
11 3. NOTICE TO MEMBERS OF SUBSIDIARY. Notice of the action,
12 including a copy of the plan of merger, shall be delivered to
13 each member, other than the parent cooperative and any
14 subsidiary of each subsidiary that is a constituent
15 cooperative in the merger before, or within ten days after,
16 the effective date of the merger.
17 4. ARTICLES OF MERGER -- CONTENTS OF ARTICLES. Articles
18 of merger shall be prepared that contain all of the following:
19 a. The plan of merger.
20 b. The number of outstanding membership interests of each
21 series and class of each subsidiary that is a constituent
22 cooperative in the merger, other than the series or classes
23 that, absent this section, would otherwise not be entitled to
24 vote on the merger, and the number of membership interests of
25 each series and class of the subsidiary or subsidiaries, other
26 than series or classes that, absent this section, would
27 otherwise not be entitled to vote on the merger, owned by the
28 parent directly, or indirectly through related organizations.
29 c. A statement that the plan of merger has been approved
30 by the parent under this section.
31 5. ARTICLES SIGNED, FILED. The articles of merger shall
32 be signed on behalf of the parent and filed with the
33 secretary.
34 6. CERTIFICATE. The secretary shall issue a certificate
35 of merger to the parent or its legal representative or, if the

1 parent is a constituent cooperative but is not the surviving
2 cooperative in the merger, to the surviving cooperative or its
3 legal representative.
4 7. NONEXCLUSIVITY. A merger among a parent and one or
5 more subsidiaries or among two or more subsidiaries of a
6 parent may be accomplished under section 501A.1101 instead of
7 this section, in which case this section does not apply.
8 Sec. 83. NEW SECTION. 501A.1103 ABANDONMENT.
9 1. ABANDONMENT BY MEMBERS OF PLAN. After a plan of merger
10 has been approved by the members entitled to vote on the
11 approval of the plan and before the effective date of the
12 plan, the plan may be abandoned by the same vote that approved
13 the plan.
14 2. ABANDONMENT OF MERGER.
15 a. A merger may be abandoned upon any of the following:
16 (1) The members of each of the constituent domestic
17 cooperatives entitled to vote on the approval of the plan have
18 approved the abandonment at a meeting by the affirmative vote
19 of the holders of a majority of the voting power of the
20 membership interests entitled to vote.
21 (2) The merger is with a domestic cooperative and an Iowa
22 limited liability company or foreign business entity.
23 (3) The abandonment is approved in such manner as may be
24 required by section 490A.1207 for the involvement of an Iowa
25 limited liability company, or for a foreign business entity by
26 the laws of the state under which the foreign business entity
27 is organized.
28 (4) The members of a constituent domestic cooperative are
29 not entitled to vote on the approval of the plan, and the
30 board of the constituent domestic cooperative has approved the
31 abandonment by the affirmative vote of a majority of the
32 directors present.
33 (5) The plan provides for abandonment and all conditions
34 for abandonment set forth in the plan are met.
35 (6) The plan is abandoned before the effective date of the

1 plan by a resolution of the board of any constituent domestic
2 cooperative abandoning the plan of merger approved by the
3 affirmative vote of a majority of the directors present,
4 subject to the contract rights of any other person under the
5 plan. If a plan of merger is with a domestic business entity
6 or foreign business entity, the plan of merger may be
7 abandoned before the effective date of the plan by a
8 resolution of the foreign business entity adopted according to
9 the laws of the state under which the foreign business entity
10 is organized, subject to the contract rights of any other
11 person under the plan. If the plan of merger is with an Iowa
12 limited liability company, the plan of merger may be abandoned
13 by the Iowa limited liability company as provided in section
14 490A.1207, subject to the contractual rights of any other
15 person under the plan.
16 b. If articles of merger have been filed with the
17 secretary, but have not yet become effective, the constituent
18 organizations, in the case of abandonment under paragraph "a",
19 subparagraphs (1) through (4), the constituent organizations
20 or any one of them, in the case of abandonment under paragraph
21 "a", subparagraph (5), or the abandoning organization in the
22 case of abandonment under paragraph "a", subparagraph (6),
23 shall file with the secretary articles of abandonment that
24 include all of the following:
25 (1) The names of the constituent organizations.
26 (2) The provisions of this section under which the plan is
27 abandoned.
28 (3) If the plan is abandoned under paragraph "a",
29 subparagraph (6), the text of the resolution abandoning the
30 plan.
31 Sec. 84. NEW SECTION. 501A.1104 CONVERSION -- AMENDMENT
32 OF ORGANIZATIONAL DOCUMENTS TO BE GOVERNED BY THIS CHAPTER.
33 1. AUTHORITY.
34 a. A traditional cooperative organized may convert to a
35 cooperative and become subject to this chapter by amending its

1 organizational documents to conform to the requirements of
2 this chapter.
3 b. A traditional cooperative becoming a converted
4 cooperative must provide its members with a disclosure
5 statement of the rights and obligations of the members and the
6 capital structure of the cooperative before becoming subject
7 to this chapter. A traditional cooperative, upon distribution
8 of the disclosure required in this subsection and approval of
9 its members as necessary for amending its articles under the
10 respective chapter of its organization, may amend its articles
11 to comply with this chapter.
12 c. A traditional cooperative becoming a converted
13 cooperative must prepare a certificate stating all of the
14 following:
15 (1) The date on which the traditional cooperative was
16 first organized.
17 (2) The name of the traditional cooperative and, if the
18 name is changed, the name of the cooperative becoming
19 converted.
20 (3) The future effective date and time, which must be a
21 date and time certain, that the traditional cooperative will
22 be governed by this chapter, if the effective date and time is
23 not to be the date and time of filing.
24 d. Upon filing with the secretary of the articles for
25 compliance with this chapter and the certificate required
26 under paragraph "c", a traditional cooperative is converted
27 and governed by this chapter unless a later date and time is
28 specified in the certificate under paragraph "c".
29 e. In connection with a conversion under which a
30 traditional cooperative becomes governed by this chapter, the
31 rights, securities, or interests of the traditional
32 cooperative as provided in chapter 497, 498, 499, or 501 may
33 be exchanged or converted into rights, property, securities,
34 or interests in the converted cooperative.
35 2. EFFECT OF BEING GOVERNED BY THIS CHAPTER. The

1 conversion of a traditional cooperative to a cooperative
2 governed by this chapter does not affect any obligations or
3 liabilities of the cooperative before the conversion or the
4 personal liability of any person incurred before the
5 conversion.
6 a. When the conversion is effective, the rights,
7 privileges, and powers of the cooperative, real and personal
8 property of the cooperative, debts due to the cooperative, and
9 causes of action belonging to the traditional cooperative
10 remain vested in the converted cooperative and are the
11 property of the converted cooperative and governed by this
12 chapter. Title to real property vested by deed or otherwise
13 in the traditional cooperative does not revert and is not
14 impaired by reason of the cooperative being converted and
15 governed by this chapter.
16 b. Rights of creditors and liens upon property of the
17 traditional cooperative are preserved unimpaired, and debts,
18 liabilities, and duties of the traditional cooperative remain
19 attached to the converted cooperative and may be enforced
20 against the converted cooperative to the same extent as if the
21 debts, liabilities, and duties had originally been incurred or
22 contracted by the cooperative as organized under this chapter.
23 c. The rights, privileges, powers, and interests in
24 property of the traditional cooperative as well as the debts,
25 liabilities, and duties of the traditional cooperative are not
26 deemed, as a consequence of the conversion, to have been
27 transferred for any purpose by the laws of this state.
28 SUBCHAPTER 12
29 DISSOLUTION
30 Sec. 85. NEW SECTION. 501A.1201 METHODS OF DISSOLUTION.
31 A cooperative may be dissolved by the members or by
32 administrative or court order as provided in this chapter.
33 Sec. 86. NEW SECTION. 501A.1202 WINDING UP.
34 1. COLLECTION AND PAYMENT OF DEBTS. After the notice of
35 intent to dissolve has been filed with the secretary, the

1 board, or the officers acting under the direction of the
2 board, shall proceed as soon as possible to do all of the
3 following:
4 a. Collect or make provision for the collection of all
5 debts due or owing to the cooperative, including unpaid
6 subscriptions for membership interests.
7 b. Pay or make provision for the payment of all debts,
8 obligations, and liabilities of the cooperative according to
9 their priorities.
10 2. TRANSFER OF ASSETS. After the notice of intent to
11 dissolve has been filed with the secretary, the board may
12 sell, lease, transfer, or otherwise dispose of all or
13 substantially all of the property and assets of the dissolving
14 cooperative without a vote of the members.
15 3. DISTRIBUTION TO MEMBERS. Tangible and intangible
16 property, including money, remaining after the discharge of
17 the debts, obligations, and liabilities of the cooperative
18 shall be distributed to the members and former members as
19 provided in the cooperative's articles or bylaws, unless
20 otherwise provided by law. If previously authorized by the
21 members, the tangible and intangible property of the
22 cooperative may be liquidated and disposed of at the
23 discretion of the board.
24 Sec. 87. NEW SECTION. 501A.1203 REVOCATION OF
25 DISSOLUTION PROCEEDINGS.
26 1. AUTHORITY TO REVOKE. Dissolution proceedings may be
27 revoked before the articles of dissolution are filed with the
28 secretary.
29 2. REVOCATION BY MEMBERS. The chairperson may call a
30 members' meeting to consider the advisability of revoking the
31 dissolution proceedings. The question of the proposed
32 revocation shall be submitted to the members at the members'
33 meeting called to consider the revocation. The dissolution
34 proceedings are revoked if the proposed revocation is approved
35 at the members' meeting by a majority of the members of the

1 cooperative or, for a cooperative with articles or bylaws
2 requiring a greater number of members, the number of members
3 required by the articles or bylaws.
4 3. FILING WITH THE SECRETARY. Revocation of dissolution
5 proceedings is effective when a notice of revocation is filed
6 with the secretary. After the notice is filed, the
7 cooperative may resume business.
8 Sec. 88. NEW SECTION. 501A.1204 STATUTE OF LIMITATIONS.
9 The claim of a creditor or claimant against a dissolving
10 cooperative is barred if the claim has not been enforced by
11 initiating legal, administrative, or arbitration proceedings
12 concerning the claim by two years after the date the notice of
13 intent to dissolve is filed with the secretary.
14 Sec. 89. NEW SECTION. 501A.1205 ARTICLES OF DISSOLUTION.
15 1. CONDITIONS TO FILE. Articles of dissolution of a
16 cooperative shall be filed with the secretary after payment of
17 the claims of all known creditors and claimants has been made
18 or provided for and the remaining property has been
19 distributed by the board. The articles of dissolution shall
20 state all of the following:
21 a. The name of the cooperative.
22 b. All debts, obligations, and liabilities of the
23 cooperative have been paid or discharged or adequate
24 provisions have been made for them or time periods allowing
25 claims have run and other claims are not outstanding.
26 c. The remaining property, assets, and claims of the
27 cooperative have been distributed among the members or under a
28 liquidation authorized by the members.
29 d. Legal, administrative, or arbitration proceedings by or
30 against the cooperative are not pending or adequate provision
31 has been made for the satisfaction of a judgment, order, or
32 decree that may be entered against the cooperative in a
33 pending proceeding.
34 2. DISSOLUTION EFFECTIVE ON FILING. The cooperative is
35 dissolved when the articles of dissolution have been filed

1 with the secretary.
2 3. CERTIFICATE. The secretary shall issue to the
3 dissolved cooperative or its legal representative a
4 certificate of dissolution that contains all of the following:
5 a. The name of the dissolved cooperative.
6 b. The date the articles of dissolution were filed with
7 the secretary.
8 c. A statement that the cooperative is dissolved.
9 Sec. 90. NEW SECTION. 501A.1206 APPLICATION FOR COURT-
10 SUPERVISED VOLUNTARY DISSOLUTION.
11 After a notice of intent to dissolve has been filed with
12 the secretary and before a certificate of dissolution has been
13 issued, the cooperative or, for good cause shown, a member or
14 creditor may apply to a court within the county where the
15 registered address is located to have the dissolution
16 conducted or continued under the supervision of the court.
17 Sec. 91. NEW SECTION. 501A.1207 COURT-ORDERED REMEDIES
18 FOR DISSOLUTION.
19 1. CONDITIONS FOR RELIEF. A court may grant equitable
20 relief that the court deems just and reasonable in the
21 circumstances or may dissolve a cooperative and liquidate its
22 assets and business as follows:
23 a. In a supervised voluntary dissolution that is applied
24 for by the cooperative.
25 b. In an action by a member when it is established that
26 any of the following apply:
27 (1) The directors or the persons having the authority
28 otherwise vested in the board are deadlocked in the management
29 of the cooperative's affairs and the members are unable to
30 break the deadlock.
31 (2) The directors or those in control of the cooperative
32 have acted fraudulently, illegally, or in a manner unfairly
33 prejudicial toward one or more members in their capacities as
34 members, directors, or officers.
35 (3) The members of the cooperative are so divided in

1 voting power that, for a period that includes the time when
2 two consecutive regular members' meetings were held, they have
3 failed to elect successors to directors whose terms have
4 expired or would have expired upon the election and
5 qualification of their successors.
6 (4) The cooperative assets are being misapplied or wasted.
7 (5) The period of duration as provided in the articles has
8 expired and has not been extended as provided in this chapter.
9 c. In an action by a creditor when any of the following
10 applies:
11 (1) The claim of the creditor against the cooperative has
12 been reduced to judgment and an execution on the judgment has
13 been returned unsatisfied.
14 (2) The cooperative has admitted in writing that the claim
15 of the creditor against the cooperative is due and owing and
16 it is established that the cooperative is unable to pay its
17 debts in the ordinary course of business.
18 (3) In an action by the attorney general to dissolve the
19 cooperative in accordance with this chapter when it is
20 established that a decree of dissolution is appropriate.
21 2. CONDITION OF COOPERATIVE OR ASSOCIATION. In
22 determining whether to order equitable relief or dissolution,
23 the court shall take into consideration the financial
24 condition of the cooperative, but shall not refuse to order
25 equitable relief or dissolution solely on the grounds that the
26 cooperative has accumulated operating net income or current
27 operating net income.
28 3. DISSOLUTION AS REMEDY. In deciding whether to order
29 dissolution of the cooperative, the court shall consider
30 whether lesser relief suggested by one or more parties, such
31 as a form of equitable relief or a partial liquidation, would
32 be adequate to permanently relieve the circumstances
33 established under subsection 1, paragraph "b", subparagraph
34 (1) or (2). Lesser relief may be ordered if it would be
35 appropriate under the facts and circumstances of the case.

1 4. EXPENSES. If the court finds that a party to a
2 proceeding brought under this section has acted arbitrarily,
3 vexatiously, or otherwise not in good faith, the court may in
4 its discretion award reasonable expenses, including attorney
5 fees and disbursements to any of the other parties.
6 5. VENUE. Proceedings under this section shall be brought
7 in a court within the county where the registered address of
8 the cooperative is located.
9 6. PARTIES. It is not necessary to make members parties
10 to the action or proceeding unless relief is sought against
11 them personally.
12 Sec. 92. NEW SECTION. 501A.1208 PROCEDURE IN INVOLUNTARY
13 OR COURT-SUPERVISED VOLUNTARY DISSOLUTION.
14 1. ACTION BEFORE HEARING. Before a hearing is completed
15 in dissolution proceedings, a court may do any of the
16 following:
17 a. Issue injunctions.
18 b. Appoint receivers with all powers and duties that the
19 court directs.
20 c. Take actions required to preserve the cooperative's
21 assets, wherever located.
22 d. Carry on the business of the cooperative.
23 2. ACTION AFTER HEARING. After a hearing is completed,
24 upon notice to parties to the proceedings and to other parties
25 in interest designated by the court, the court may appoint a
26 receiver to collect the cooperative's assets, including
27 amounts owing to the cooperative by subscribers on account of
28 an unpaid portion of the consideration for the issuance of
29 membership interests. A receiver has authority, subject to
30 the order of the court, to continue the business of the
31 cooperative and to sell, lease, transfer, or otherwise dispose
32 of the property and assets of the cooperative, either at
33 public or private sale.
34 3. DISCHARGE OF OBLIGATIONS. The assets of the
35 cooperative or the proceeds resulting from a sale, lease,

1 transfer, or other disposition shall be applied in the
2 following order of priority:
3 a. The costs and expense of the proceedings, including
4 attorney fees and disbursements.
5 b. Debts, taxes, and assessments due the United States,
6 this state, and other states in that order.
7 c. Claims duly proved and allowed to employees under the
8 provisions of the workers' compensation law, except that
9 claims under this paragraph shall not be allowed if the
10 cooperative carried workers' compensation insurance, as
11 provided by law, at the time the injury was sustained.
12 d. Claims, including the value of all compensation paid in
13 a medium other than money, proved and allowed to employees for
14 services performed within three months preceding the
15 appointment of the receiver.
16 e. Other claims that are proved and allowed by the court.
17 4. REMAINDER TO MEMBERS. After payment of the expenses of
18 receivership and claims of creditors are proved, the remaining
19 assets, if any, may be distributed to the members or
20 distributed under an approved liquidation plan.
21 Sec. 93. NEW SECTION. 501A.1209 RECEIVER QUALIFICATIONS
22 AND POWERS.
23 1. QUALIFICATIONS. A receiver shall be a natural person
24 or a domestic business entity or a foreign business entity
25 authorized to transact business in this state. A receiver
26 shall give a bond as directed by the court with the sureties
27 required by the court.
28 2. POWERS. A receiver may sue and defend in all courts as
29 receiver of the cooperative. The court appointing the
30 receiver has exclusive jurisdiction of the cooperative and its
31 property.
32 Sec. 94. NEW SECTION. 501A.1210 DISSOLUTION ACTION BY
33 ATTORNEY GENERAL -- ADMINISTRATIVE DISSOLUTION.
34 1. CONDITIONS TO BEGIN ACTION. A cooperative may be
35 dissolved involuntarily by a decree of a court in this state

1 in an action filed by the attorney general if it is
2 established that any of the following applies:
3 a. The articles and certificate of organization were
4 procured through fraud.
5 b. The cooperative was organized for a purpose not
6 permitted by this chapter or prohibited by state law.
7 c. The cooperative has flagrantly violated a provision of
8 this chapter, has violated a provision of this chapter more
9 than once, or has violated more than one provision of this
10 chapter.
11 d. The cooperative has acted, or failed to act, in a
12 manner that constitutes surrender or abandonment of the
13 cooperative's franchise, privileges, or enterprise.
14 2. NOTICE TO COOPERATIVE. An action shall not be
15 commenced under subsection 1 until thirty days after notice to
16 the cooperative by the attorney general of the reason for the
17 filing of the action. If the reason for filing the action is
18 an act that the cooperative has done, or omitted to do, and
19 the act or omission may be corrected by an amendment of the
20 articles or bylaws or by performance of or abstention from the
21 act, the attorney general shall give the cooperative thirty
22 additional days to make the correction before filing the
23 action.
24 Sec. 95. NEW SECTION. 501A.1211 FILING CLAIMS IN COURT-
25 SUPERVISED DISSOLUTION PROCEEDINGS.
26 1. FILING UNDER OATH. In proceedings to dissolve a
27 cooperative, the court may require all creditors and claimants
28 of the cooperative to file their claims under oath with the
29 clerk of court or with the receiver in a form prescribed by
30 the court.
31 2. DATE TO FILE A CLAIM. If the court requires the filing
32 of claims, the court shall do all of the following:
33 a. Set a date, by order, at least one hundred twenty days
34 after the date the order is filed as the last day for the
35 filing of claims.

1 b. Prescribe the notice of the fixed date that shall be
2 given to creditors and claimants.
3 3. FIXED DATE OR EXTENSION FOR FILING. Before the fixed
4 date, the court may extend the time for filing claims.
5 Creditors and claimants failing to file claims on or before
6 the fixed date may be barred, by order of court, from claiming
7 an interest in or receiving payment out of the property or
8 assets of the cooperative.
9 Sec. 96. NEW SECTION. 501A.1212 DISCONTINUANCE OF COURT-
10 SUPERVISED DISSOLUTION PROCEEDINGS.
11 The involuntary or supervised voluntary dissolution of a
12 cooperative may be discontinued at any time during the
13 dissolution proceedings if it is established that cause for
14 dissolution does not exist. The court shall dismiss the
15 proceedings and direct the receiver, if any, to redeliver to
16 the cooperative its remaining property and assets.
17 Sec. 97. NEW SECTION. 501A.1213 COURT-SUPERVISED
18 DISSOLUTION ORDER.
19 1. CONDITIONS FOR DISSOLUTION ORDER. In an involuntary or
20 supervised voluntary dissolution the court shall enter an
21 order dissolving the cooperative upon the following
22 conditions:
23 a. After the costs and expenses of the proceedings and all
24 debts, obligations, and liabilities of the cooperative have
25 been paid or discharged and the remaining property and assets
26 have been distributed to its members.
27 b. If the property or other assets are not sufficient to
28 satisfy and discharge the costs, expenses, debts, obligations,
29 and liabilities, when all the property and assets have been
30 applied so far as they will go to their payment according to
31 their priorities.
32 2. DISSOLUTION EFFECTIVE ON FILING ORDER. When the order
33 dissolving the cooperative has been entered, the cooperative
34 is dissolved.
35 Sec. 98. NEW SECTION. 501A.1214 FILING COURT'S

1 DISSOLUTION ORDER.
2 After the court enters an order dissolving a cooperative,
3 the clerk of court shall cause a certified copy of the
4 dissolution order to be filed with the secretary. The
5 secretary shall not charge a fee for filing the dissolution
6 order.
7 Sec. 99. NEW SECTION. 501A.1215 BARRING OF CLAIMS.
8 1. CLAIMS BARRED. A person who is or becomes a creditor
9 or claimant before, during, or following the conclusion of
10 dissolution proceedings, who does not file a claim or pursue a
11 remedy in a legal, administrative, or arbitration proceeding
12 during the pendency of the dissolution proceeding or has not
13 initiated a legal, administrative, or arbitration proceeding
14 before the commencement of the dissolution proceedings and all
15 those claiming through or under the creditor or claimant, are
16 forever barred from suing on that claim or otherwise realizing
17 upon or enforcing it, except as provided in this section.
18 2. CERTAIN UNFILED CLAIMS ALLOWED. Within one year after
19 articles of dissolution have been filed with the secretary
20 under this chapter or a dissolution order has been entered, a
21 creditor or claimant who shows good cause for not having
22 previously filed the claim may apply to a court in this state
23 to allow a claim for any of the following:
24 a. Against the cooperative to the extent of undistributed
25 assets.
26 b. If the undistributed assets are not sufficient to
27 satisfy the claim, the claim may be allowed against a member
28 to the extent of the distributions to members in dissolution
29 received by the member.
30 3. OMITTED CLAIMS ALLOWED. Debts, obligations, and
31 liabilities incurred during dissolution proceedings shall be
32 paid or provided for by the cooperative before the
33 distribution of assets to a member. A person to whom this
34 kind of debt, obligation, or liability is owed but is not paid
35 may pursue any remedy against the offenders, directors, or

1 members of the cooperative before the expiration of the
2 applicable statute of limitations. This subsection does not
3 apply to dissolution under the supervision or order of a
4 court.
5 Sec. 100. NEW SECTION. 501A.1216 RIGHT TO SUE OR DEFEND
6 AFTER DISSOLUTION.
7 After a cooperative has been dissolved, any of its former
8 officers, directors, or members may assert or defend, in the
9 name of the cooperative, a claim by or against the
10 cooperative.
11 DIVISION II
12 CONFORMING AND OTHER CHANGES
13 Sec. 101. Section 10B.1, subsection 2, Code 2005, is
14 amended to read as follows:
15 2. "Cooperative association" means any entity organized on
16 a cooperative basis, including an association of persons
17 organized under chapter 497, 498, or 499; an entity composed
18 of entities organized under those chapters; or a cooperative
19 organized under chapter 501 or 501A.
20 Sec. 102. Section 10B.4, subsection 1, Code 2005, is
21 amended to read as follows:
22 1. A biennial report shall be filed by a reporting entity
23 with the secretary of state on or before March 31 of each odd-
24 numbered year as required by rules adopted by the secretary of
25 state pursuant to chapter 17A. However, a reporting entity
26 required to file a biennial report pursuant to chapter 490,
27 496C, 497, 498, 490A, 499, 501, 501A, or 504A shall file the
28 report required by this section in the same year as required
29 by that chapter. The reporting entity may file the report
30 required by this section together with the biennial report
31 required to be filed by one of the other chapters referred to
32 in this subsection. The reports shall be filed on forms
33 prepared and supplied by the secretary of state. The
34 secretary of state may provide for combining its reporting
35 forms with other biennial reporting forms required to be used

1 by the reporting entities.
2 Sec. 103. Section 15.333, subsection 1, Code 2005, is
3 amended to read as follows:
4 1. An eligible business may claim a corporate tax credit
5 up to a maximum of ten percent of the new investment which is
6 directly related to new jobs created by the location or
7 expansion of an eligible business under the program. Any
8 credit in excess of the tax liability for the tax year may be
9 credited to the tax liability for the following seven years or
10 until depleted, whichever occurs earlier. Subject to prior
11 approval by the department of economic development in
12 consultation with the department of revenue, an eligible
13 business whose project primarily involves the production of
14 value-added agricultural products may elect to receive a
15 refund of all or a portion of an unused tax credit. For
16 purposes of this section, an eligible business includes a
17 cooperative described in section 521 of the Internal Revenue
18 Code which is not required to file an Iowa corporate income
19 tax return. The refund may be used against a tax liability
20 imposed under chapter 422, division II, III, or V. If the
21 business is a partnership, S corporation, limited liability
22 company, cooperative organized under chapter 501 <u>or 501A</u> and
23 filing as a partnership for federal tax purposes, or estate or
24 trust electing to have the income taxed directly to the
25 individual, an individual may claim the tax credit allowed.
26 The amount claimed by the individual shall be based upon the
27 pro rata share of the individual's earnings of the
28 partnership, S corporation, limited liability company,
29 cooperative organized under chapter 501 <u>or 501A</u> and filing as
30 a partnership for federal tax purposes, or estate or trust.
31 Sec. 104. Section 15.385, subsection 3, paragraph a, Code
32 2005, is amended to read as follows:
33 a. An eligible business may claim a tax credit equal to a
34 percentage of the new investment directly related to new jobs
35 created by the location or expansion of an eligible business

1 under the program. The tax credit shall be allowed against
2 taxes imposed under chapter 422, division II, III, or V. If
3 the business is a partnership, S corporation, limited
4 liability company, cooperative organized under chapter 501 and
5 filing as a partnership for federal tax purposes, or estate or
6 trust electing to have the income taxed directly to the
7 individual, an individual may claim the tax credit allowed.
8 The amount claimed by the individual shall be based upon the
9 pro rata share of the individual's earnings of the
10 partnership, S corporation, limited liability company,
11 cooperative organized under chapter 501 or 501A, and filing as
12 a partnership for federal tax purposes, or estate or trust.
13 The percentage shall be equal to the amount provided in
14 paragraph "d". Any tax credit in excess of the tax liability
15 for the tax year may be credited to the tax liability for the
16 following seven years or until depleted, whichever occurs
17 first.
18 Subject to prior approval by the department of economic
19 development, in consultation with the department of revenue,
20 an eligible business whose project primarily involves the
21 production of value-added agricultural products or uses
22 biotechnology-related processes may elect to receive a refund
23 of all or a portion of an unused tax credit. For purposes of
24 this subsection, such an eligible business includes a
25 cooperative described in section 521 of the Internal Revenue
26 Code which is not required to file an Iowa corporate income
27 tax return, and whose project primarily involves the
28 production of ethanol. The refund may be applied against a
29 tax liability imposed under chapter 422, division II, III, or
30 V. If the business is a partnership, S corporation, limited
31 liability company, cooperative organized under chapter 501 or
32 501A, and filing as a partnership for federal tax purposes, or
33 estate or trust electing to have the income taxed directly to
34 the individual, an individual may claim the tax credit
35 allowed. The amount claimed by the individual shall be based

1 upon the pro rata share of the individual's earnings of the
2 partnership, S corporation, limited liability company,
3 cooperative organized under chapter 501 and filing as a
4 partnership for federal tax purposes, or estate or trust.
5 Sec. 105. Section 15E.202, subsection 17, paragraph b,
6 Code 2005, is amended to read as follows:
7 b. A cooperative organized under chapter 501 or 501A.
8 Sec. 106. Section 203.1, subsection 10, paragraph i, Code
9 2005, is amended to read as follows:
10 i. A cooperative organized under chapter 501 or 501A, if
11 the cooperative only purchases grain from its members who are
12 producers or from a licensed grain dealer, and the cooperative
13 does not resell that grain.
14 Sec. 107. Section 490A.102, subsection 4, Code 2005, is
15 amended to read as follows:
16 4. "Constituent entity" means each limited liability
17 company, limited partnership, ~~or~~ corporation, or domestic
18 cooperative which is party to a plan of merger pursuant to
19 subchapter XII.
20 Sec. 108. Section 490A.102, Code 2005, is amended by
21 adding the following new subsection:
22 NEW SUBSECTION. 7A. "Domestic cooperative" means a
23 cooperative organized under chapter 497, 498, 499, 501, or
24 501A.
25 Sec. 109. NEW SECTION. 490A.131 BIENNIAL REPORT FOR
26 SECRETARY OF STATE.
27 1. A limited liability company or a foreign limited
28 liability company authorized to transact business in this
29 state shall deliver to the secretary of state for filing a
30 biennial report that states all of the following:
31 a. The name of the limited liability company or foreign
32 limited liability company.
33 b. The street and mailing address of its designated office
34 and the name and street and mailing address of its agent for
35 service of process in this state.

1 c. The street and mailing address of its principal office.
2 d. In the case of a foreign limited liability company, the
3 state or other jurisdiction under whose law the foreign
4 limited liability company is formed.
5 2. Information in a biennial report must be current as of
6 the date the biennial report is delivered to the secretary of
7 state for filing.
8 3. If a biennial report does not contain the information
9 required in subsection 1, the secretary of state shall
10 promptly notify the reporting limited liability company or
11 foreign limited liability company and return the report to it
12 for correction. If the report is corrected to contain the
13 information required in subsection 1 and delivered to the
14 secretary of state within thirty days after the effective date
15 of the notice, it is timely delivered.
16 4. If a filed biennial report contains an address of a
17 designated office or the name or address of an agent for
18 service of process which differs from the information shown in
19 the records of the secretary of state immediately before the
20 filing, the differing information in the biennial report is
21 considered a statement of change under section 490A.502.
22 5. The first biennial report shall be delivered to the
23 secretary of state between January 1 and April 1 of the first
24 odd-numbered year following the calendar year in which a
25 limited liability company was formed or a foreign limited
26 liability company was authorized to transact business.
27 Subsequent biennial reports must be delivered to the secretary
28 of state between January 1 and April 1 of the following odd-
29 numbered calendar years. A filing fee for the biennial report
30 shall be determined by the secretary of state. For purposes
31 of this section, each biennial report shall contain
32 information related to the two-year period immediately
33 preceding the calendar year in which the report is filed.
34 Sec. 110. Section 490A.1201, Code 2005, is amended by
35 striking the section and inserting in lieu thereof of the

1 following:
2 490A.1201 CONSTITUENT ENTITY.
3 As used in this section, unless the context otherwise
4 requires, "constituent entity", as used in sections 490A.1202,
5 490A.1204, 490A.1205, and 490A.1207, includes a domestic
6 cooperative. However, as used in section 490A.1203,
7 "constituent entity" does not include a domestic cooperative.
8 Sec. 111. NEW SECTION. 490A.1201A MERGER.
9 With or without a business purpose, a limited liability
10 company may merge with any of the following:
11 1. Another domestic limited liability company pursuant to
12 a plan of merger approved in the manner provided in sections
13 490A.1202 through 490A.1205.
14 2. A domestic corporation under a plan of merger approved
15 in the manner provided in sections 490A.1202 through
16 490A.1205, and in chapter 490.
17 3. A domestic limited partnership pursuant to a plan of
18 merger approved in the manner provided in sections 490A.1202
19 through 490A.1207, and in chapter 487.
20 4. One or more cooperatives organized under chapter 497,
21 498, 499, 501, or 501A, in the manner provided by and subject
22 to the limitations in section 490A.1207.
23 5. A foreign corporation, foreign limited liability
24 company, or foreign limited partnership pursuant to a plan of
25 merger approved in the manner provided in section 490A.1206.
26 Sec. 112. Section 490A.1202, Code 2005, is amended by
27 adding the following new subsection:
28 NEW SUBSECTION. 0A. As used in this section, "interests"
29 includes but is not limited to membership interests in a
30 domestic cooperative.
31 Sec. 113. NEW SECTION. 490A.1207 MERGER OF DOMESTIC
32 COOPERATIVE INTO A DOMESTIC LIMITED LIABILITY COMPANY.
33 1. A limited liability company may merge with a domestic
34 cooperative only as provided by this section. A limited
35 liability company may merge with one or more domestic

1 cooperatives if all of the following apply:
2 a. Only one limited liability company and one or more
3 domestic cooperatives are parties to the merger.
4 b. When the merger becomes effective, the separate
5 existence of each domestic cooperative ceases and the limited
6 liability company is the surviving entity per organization.
7 c. As to each domestic cooperative, the plan of merger is
8 initiated and adopted, and the merger is effectuated, as
9 provided in section 501A.1101.
10 d. As to the limited liability company, the plan of merger
11 complies with section 490A.1202, the plan of merger is
12 approved as provided in section 490A.1203, and the articles of
13 merger are prepared, signed, and filed as provided in section
14 490A.1204.
15 e. Notwithstanding section 490A.1202, 490A.1205, or
16 490A.1206, the surviving organization must be the limited
17 liability company.
18 2. Section 501A.1103 governs the abandonment by a domestic
19 cooperative of a merger authorized by this section. Section
20 490A.1203, subsection 2, governs the abandonment by a limited
21 liability company of a merger authorized by this section,
22 except that for the purposes of a merger authorized by this
23 section, the requirements stated in section 490A.1203,
24 subsection 2, paragraphs "b" and "c", do not apply and instead
25 the abandonment must have been approved by the domestic
26 cooperative.
27 Sec. 114. Section 499.4, unnumbered paragraph 1, Code
28 2005, is amended to read as follows:
29 ~~No~~ A person ~~or firm, and no~~ including a corporation
30 hereafter organized, which is not an association as defined in
31 this chapter or a cooperative as defined in chapter 501 or
32 501A, shall not use the word "cooperative" or any abbreviation
33 thereof in its name or advertising or in any connection with
34 its business, except foreign associations admitted under
35 section 499.54. The attorney general or any association or

1 any member thereof may sue and enjoin such use.
2 Sec. 115. Section 502.102, subsection 20, Code 2005, is
3 amended to read as follows:
4 20. "Person" means an individual; corporation; business
5 trust; estate; trust; partnership; limited liability company;
6 association; cooperative; joint venture; government;
7 governmental subdivision, agency, or instrumentality; public
8 corporation; or any other legal or commercial entity.
9 Sec. 116. Section 556.1, subsection 3, Code 2005, is
10 amended to read as follows:
11 3. "Cooperative association" means ~~an~~ any of the
12 following:
13 a. An entity which is structured and operated on a
14 cooperative basis, including an association of persons
15 organized under chapter 497, 498, or 499; or an entity
16 composed of entities organized under those chapters~~;--a~~.
17 b. A cooperative organized under chapter 501~~;~~.
18 c. A cooperative organized under chapter 501A.
19 d. ~~a~~ A cooperative association organized under chapter
20 490~~;--or--any~~.
21 e. Any other entity recognized pursuant to 26 U.S.C. §
22 1381(a) which meets the definitional requirements of an
23 association as provided in 12 U.S.C. § 1141(j)(a) or 7 U.S.C.
24 § 291.
25 Sec. 117. Section 556.5, subsection 4, paragraph b, Code
26 2005, is amended to read as follows:
27 b. A disbursement held by a cooperative association shall
28 not be deemed abandoned under this chapter if the disbursement
29 is retained by a cooperative association organized under
30 chapter 490 as provided in section 490.629, ~~or~~ by a
31 cooperative association organized under chapter 499 as
32 provided in section 499.30A, or by a cooperative as provided
33 in section 501A.1008.
34 Sec. 118. Section 501A.102, as enacted in this Act, is
35 amended by striking from the section the word and figure "or

1 487".
2 Sec. 119. EFFECTIVE DATES. This Act takes effect July 1,
3 2005, except that section 118 of this Act takes effect January
4 1, 2006.
5 EXPLANATION
6 This bill creates a new Code chapter 501A authorizing
7 persons to organize as a new form of cooperative (new 501A
8 cooperative). Generally, cooperatives or cooperative
9 associations in Iowa are formed under Code chapter 499 (older
10 Code chapters include 497 and 498). Traditionally, a
11 cooperative is a business association organized for purposes
12 of providing economic services to its members (also referred
13 to as patrons and sometimes referred to as shareholders) that
14 does business on a nonprofit or "cooperative" basis and is
15 generally taxed under special provisions in subchapter T of
16 the Internal Revenue Code.
17 Cooperatives are usually formed for agricultural purposes
18 or for providing utilities. Code chapter 501 provides for a
19 hybrid between a cooperative and corporation which is
20 organized for purposes of attracting outside capital (501
21 cooperative).
22 The bill establishes another hybrid organization which
23 includes provisions and terms common to both cooperative
24 associations and limited liability companies. Its purpose is
25 to allow the formation of these types of business associations
26 which are organized and which may be taxed as a limited
27 liability company under subchapter K of the Internal Revenue
28 Code.
29 DIVISION I. This division includes administrative
30 provisions (governing the state's administration of
31 cooperative associations organized under the bill), including
32 by providing for fees paid to the secretary of state for
33 filing documents. The division provides for the powers and
34 duties of a new 501A cooperative, including the powers and
35 duties of its members and directors, the equity interests

1 (referred to as membership interests) of its members, the
2 allocations of profits and losses, mergers and conversions,
3 and dissolution.
4 Specifically, the division divides members up into two
5 groups: (1) patrons who patronize the cooperative and (2)
6 nonpatrons who invest capital but do not patronize the
7 cooperative. It provides that a nonpatron member may hold an
8 equity position in a cooperative and receive profits from its
9 business endeavors. Generally, patrons are provided control
10 of the cooperative through its board of directors unless the
11 patrons grant equal control to nonpatron members. A patron
12 member is entitled to one vote on issues. However, the
13 cooperative may allow patron members additional votes based on
14 patronage criteria.
15 The division requires the allocations to patron members to
16 be not less than 50 percent of the total profits or
17 distributions in any fiscal year unless the patron members
18 authorize a lesser amount which may not be less than 15
19 percent. Thus nonpatron members could receive up to 85
20 percent distributions. The division provides that a
21 cooperative may be formed to grant "collective" voting rights
22 to members or directors based on their status as patrons and
23 nonpatrons (sometimes referred to as bloc votings). The
24 division provides for the merger of new 501A cooperatives and
25 for the conversion of a foreign or domestic cooperative into a
26 new 501A cooperative.
27 The division provides that a person who intentionally signs
28 a false report with the secretary of state is guilty of a
29 serious misdemeanor. Generally, a serious misdemeanor is
30 punishable by confinement for no more than one year and a fine
31 of at least $250 but not more than $1,500. In this case, the
32 fine cannot exceed $1,000. The division provides that a
33 person who knowingly induces a member to breach a marketing
34 contract is guilty of a simple misdemeanor. A simple
35 misdemeanor is punishable by confinement for no more than 30

1 days or a fine of at least $50 but not more than $500 or by
2 both.
3 DIVISION II. This division includes a number of
4 miscellaneous provisions. The division amends provisions in
5 Code chapter 10B which require business entities to report
6 agricultural land holdings. A new Code chapter 501A
7 cooperative could presumably hold agricultural land under the
8 networking provisions in Code chapter 10. The division amends
9 Code chapter 10B by requiring that that the cooperative report
10 landholdings in the same manner as other traditional
11 qualifying cooperatives. The division amends provisions in
12 Code chapter 490A providing for the organization of limited
13 liability companies, by requiring that such business entities
14 file general biennial reports with the secretary of state in a
15 manner similar to other business entities and that limited
16 liabilities report inventories of agricultural landholdings to
17 the secretary of state based on the same schedule as required
18 for filing general reports with the secretary of state.
19 The division allows a new Code chapter 501A cooperative
20 involved in value-added processing (e.g., ethanol production)
21 to claim an investment tax credit under the new jobs and
22 income program administered by the department of economic
23 development to the same extent as a cooperative organized
24 under Code chapter 501. It also allows a new Code chapter
25 501A cooperative qualifying for the new capital investment
26 program administered by the department of economic development
27 to claim a tax credit equal to a percentage of the new
28 investment directly related to new jobs to the same extent as
29 a 501 cooperative.
30 The division exempts a new Code chapter 501A cooperative
31 from regulation as a grain dealer by the department of
32 agriculture and land stewardship so long as the cooperative
33 purchases grain from its members who are producers or from a
34 licensed grain dealer, and the cooperative does not resell
35 that grain, to the same extent as a 501 cooperative.

1 The division includes a number of provisions which
2 authorize a domestic cooperative and a number of other
3 entities to merge with an Iowa limited liability company.
4 The division amends provisions in Code chapter 499 which
5 authorize a new 501A cooperative to use the term "cooperative"
6 in its name.
7 The division amends a definitional provision in Code
8 chapter 502 by providing that cooperative associations issuing
9 securities are expressly regulated under Iowa's "blue sky
10 law".
11 The division amends Code chapter 556, providing for the
12 disposition of unclaimed property by the treasurer of state in
13 the same manner as the disposition of unclaimed property by
14 other domestic cooperatives.
15 Generally, the bill takes effect on July 1, 2005, but one
16 provision relating to the repeal of Iowa's uniform limited
17 partnership Act takes effect on January 1, 2006.
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HOUSE FILE 859

AN ACT

RELATING TO THE ESTABLISHMENT OF A FORM OF BUSINESS ASSOCIATION REFERRED TO AS A COOPERATIVE, AND PROVIDING FOR FEES AND TAX CREDITS, PROVIDING PENALTIES, AND PROVIDING AN EFFECTIVE DATE.

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

DIVISION I

ENACTMENT OF IOWA COOPERATIVE ASSOCIATIONS ACT

SUBCHAPTER 1

GENERAL PROVISIONS

Section 1. NEW SECTION. 501A.101 SHORT TITLE.

This chapter shall be known and may be cited as the "Iowa Cooperative Associations Act".

Sec. 2. NEW SECTION. 501A.102 DEFINITIONS.

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

1. "Address" means mailing address, including a zip code. In the case of a registered address, the term means the mailing address and the actual office location, which shall not be a post office box.

2. "Alternative ballot" means a method of voting for a candidate or issue prescribed by the board in advance of the vote, and may include voting by electronic, telephonic, internet, or other means that reasonably allow members the opportunity to vote.

3. "Articles" means the articles of organization of a cooperative as originally filed or subsequently amended as provided in this chapter.

4. "Association" means a business entity on a cooperative plan and organized under the laws of this state or another state or that is chartered to conduct business under the laws of another state.



5. "Board" means the board of directors of a cooperative.

6. "Business entity" means a person organized under statute or common law in this state or another jurisdiction for purposes of engaging in a commercial activity on a profit, cooperative, or not-for-profit basis, including but not limited to a corporation or entity taxed as a corporation under the Internal Revenue Code, nonprofit corporation, cooperative or cooperative association, partnership, limited partnership, limited liability company, limited liability partnership, investment company, joint stock company, joint stock association, or trust, including but not limited to a business trust.

7. "Cooperative" means a business association organized under this chapter.

8. "Crop" means a plant used for food, animal feed, fiber, or oil, if the plant is classified as a forage or cereal plant, including but not limited to alfalfa, barley, buckwheat, corn, flax, forage, millet, oats, popcorn, rye, sorghum, soybeans, sunflowers, wheat, and grasses used for forage or silage.

9. "Domestic business entity" means a business entity organized under the laws of this state, including but not limited to a corporation organized pursuant to chapter 490; a nonprofit corporation organized under chapter 504; a limited liability company as defined in section 490A.102; a partnership, limited partnership, limited liability partnership, or limited liability limited partnership as provided in chapter 486A, 487, or 488; or a cooperative association or other cooperative organized under this chapter or chapter 497, 498, 499, or 501.

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

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

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

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

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

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

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

17. "Membership interest" means a member's interest in a cooperative consisting of a member's financial rights, a member's right to assign financial rights, a member's governance rights, and a member's right to assign governance rights. "Membership interest" includes patron membership interests and nonpatron membership interests.

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

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

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

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

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



23. "Patron member" means a member holding a patron membership interest.

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

25. "Secretary" means the secretary of state.

26. "Traditional cooperative" means a cooperative or cooperative association organized under chapter 497, 498, 499, or 501.

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

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

SUBCHAPTER 2

FILING

PART A

GENERAL REQUIREMENTS

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

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

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

3. The document must contain the information required by this chapter. The document may contain other information as well.

4. The document must be typewritten or printed. The typewritten or printed portion shall be in black ink.

Manually signed photocopies, or other reproduced copies, including facsimiles and other electronically or computer-generated copies of typewritten or printed documents may be filed.

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

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

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

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

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

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

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

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

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

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

2. The secretary files a document by recording it as filed on the date and at the time of receipt. After filing a



document, and except as provided in section 501A.204, the secretary shall deliver the document, and an acknowledgement of the date and time of filing to the domestic cooperative or foreign cooperative or its representative.

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

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

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

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

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

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

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

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

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

2. A document may specify a delayed effective time and date, and if the document does so, the document becomes effective at the time and date specified. If a delayed effective date but no time is specified, 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 the document is filed.

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

1. A domestic cooperative or foreign cooperative may correct a document filed by the secretary if the document satisfies any of the following requirements:

a. Contains an incorrect statement.

b. Was defectively executed, attested, sealed, verified, or acknowledged.

2. A document is corrected by complying with all of the following:

a. By preparing articles of correction that satisfy all of the following requirements:

(1) Describe the document, including its filing date, or attach a copy of the document to the articles.

(2) Specify the incorrect statement and the reason the statement is incorrect or the manner in which the execution was defective.

(3) Correct the incorrect statement or defective execution.

b. By delivering the articles of correction to the secretary for filing.

3. Articles of correction are effective on the effective date of the document the articles correct, except as to persons relying on the uncorrected document and adversely affected by the correction. As to those persons, articles of correction are effective when filed.

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

1. The secretary shall collect the following fees when documents described in this subsection are delivered to the secretary's office for filing:

a. Articles of organization ..... $ 50

b. Application for use of indistinguishable name ..... $ 10

c. Application for reserved name ..... $ 10

d. Notice of transfer of reserved name ..... $ 10

e. Application for registered name per month or part thereof ..... $ 2



f. Application for renewal of registered name ..... $ 20

g. Statement of change of registered agent or registered office or both ..... No fee

h. Agent's statement of change of registered office for each affected cooperative ..... No fee

i. Agent's statement of resignation ..... No fee

j. Amendment of articles of organization ..... $ 50

k. Restatement of articles of organization with amendment of articles ..... $ 50

l. Articles of merger ..... $ 50

m. Articles of dissolution ..... $ 5

n. Articles of revocation of dissolution ..... $ 5

o. Certificate of administrative dissolution ..... No fee

p. Application for reinstatement following administrative dissolution ..... $ 5

q. Certificate of reinstatement ..... No fee

r. Certificate of judicial dissolution ..... No fee

s. Application for certificate of authority ..... $100

t. Application for amended certificate of authority .... $100

u. Application for certificate of cancellation ..... $ 10

v. Certificate of revocation of authority to transact business ..... No fee

w. Articles of correction ..... $ 5

x. Application for certificate of existence or authorization ..... $ 5

y. Any other document required or permitted to be filed by this chapter ..... $ 5

2. The secretary shall collect a fee of five dollars each time process is served on the secretary under this chapter. The party to a proceeding causing service of process is entitled to recover this fee as costs if the party prevails in the proceeding.

3. The secretary shall collect the following fees for copying and certifying the copy of any filed document relating to a domestic cooperative or foreign cooperative:

a. One dollar a page for copying.

b. Five dollars for the certificate.

Sec. 9. NEW SECTION. 501A.206 FORMS.

1. The secretary may prescribe and furnish on request forms, including but not limited to the following:

a. An application for a certificate of existence.

b. A foreign cooperative's application for a certificate of authority to transact business in this state.

c. A foreign cooperative's application for a certificate of withdrawal.

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

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

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

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

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

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

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

A certificate attached to a copy of a document filed by the secretary, bearing the secretary's signature, which may be in facsimile, and the seal of the secretary, is conclusive



evidence that the original document is on file with the secretary.

Sec. 12. NEW SECTION. 501A.209 CERTIFICATE OF EXISTENCE.

1. Anyone may apply to the secretary to furnish a certificate of existence for a domestic cooperative or a certificate of authorization for a foreign cooperative.

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

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

b. That one of the following applies:

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

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

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

d. If it is a domestic cooperative, that articles of dissolution have not been filed.

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

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

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

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

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

Sec. 14. NEW SECTION. 501A.211 SECRETARY OF STATE -- POWERS.

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

PART B

FOREIGN COOPERATIVES

Sec. 15. NEW SECTION. 501A.221 CERTIFICATE OF AUTHORITY.

A foreign cooperative may apply for a certificate of authority to transact business in this state by delivering an application to the secretary for filing. An application for registration as a foreign cooperative shall set forth all of the following:

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

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

3. The street address of the registered office of the foreign cooperative in this state and the name of the registered agent at the office.

4. The address of the principal office, which is the office where the principal executive offices are located.

5. A certificate of existence or a document of similar import duly authenticated by the proper office of the state or other jurisdiction of its formation which is dated no earlier than ninety days prior to the date that the application is filed with the secretary.

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

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

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



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

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

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

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

2. The certificate of authority shall be canceled upon the filing of the certificate of cancellation by the secretary.

PART C

REPORTS

Sec. 17. NEW SECTION. 501A.231 BIENNIAL REPORT FOR SECRETARY OF STATE.

1. A cooperative authorized to transact business in this state shall deliver to the secretary of state for filing a biennial 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 biennial 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 501A.103 or by any other person authorized by the board of directors of the cooperative.

3. The first biennial 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 is organized. Subsequent biennial reports shall be delivered to the secretary of state between January 1 and April 1 of the following even-numbered calendar years. A filing fee for the biennial report shall be determined by the secretary of state.

4. If a biennial 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 biennial report, provided that the form contains the information required by section 501A.402. If the secretary of state determines that a biennial report does not contain the information required by this section but otherwise meets the requirements of section 501.402 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 501A.203, 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 biennial report.

SUBCHAPTER 3

NAMES

Sec. 18. NEW SECTION. 501A.301 NAME.

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

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



a. The name of a domestic cooperative, limited liability company, limited partnership, or corporation organized under the laws of this state or registered as a foreign cooperative, foreign limited liability company, foreign limited partnership, or foreign corporation in this state.

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

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

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

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

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

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

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

a. Has merged with the other business entity.

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

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

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

Sec. 19. NEW SECTION. 501A.302 RESERVED NAME.

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

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

SUBCHAPTER 4

REGISTERED OFFICE AND AGENT

Sec. 20. NEW SECTION. 501A.401 REGISTERED OFFICE AND REGISTERED AGENT.

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

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

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

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

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



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

Sec. 21. NEW SECTION. 501A.402 CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT.

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

a. The name of the domestic cooperative or foreign cooperative.

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

c. 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 the statement, to the appointment.

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

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

3. 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 subsection 1 for each cooperative, or a single statement for all cooperatives named in the notice, except that the statement need be signed only by the registered agent and need not be responsive to subsection 1, paragraph "c", and must recite that a copy of the statement has been mailed to each cooperative named in the notice.

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

Sec. 22. NEW SECTION. 501A.403 RESIGNATION OF REGISTERED AGENT -- DISCONTINUANCE OF REGISTERED OFFICE -- STATEMENT.

1. A registered agent may resign the agent's agency appointment by signing and delivering to the secretary for filing an 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 to the registered office, if not discontinued, and to the cooperative at its principal office. The agent shall certify to the secretary that the copy has been sent to the cooperative, including the date the copy was sent.

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

Sec. 23. NEW SECTION. 501A.404 SERVICE ON DOMESTIC COOPERATIVES.

1. A domestic 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.

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

a. The date the cooperative receives the mail.

b. The date shown on the return receipt for the registered mail or certified mail, return receipt requested, if signed on behalf of the cooperative.

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

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



Sec. 24. NEW SECTION. 501A.405 SERVICE ON FOREIGN COOPERATIVE.

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

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

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

b. Has withdrawn from transacting business in this state.

c. Has had its certificate of authority revoked.

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

a. The date the foreign cooperative receives the mail.

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

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

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

SUBCHAPTER 5
ORGANIZATION

Sec. 25. NEW SECTION. 501A.501 ORGANIZATIONAL PURPOSE.

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

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

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

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

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

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

Sec. 26. NEW SECTION. 501A.502 ORGANIZERS.

1. QUALIFICATION. A cooperative may be organized by one or more organizers who shall be adult natural persons, and who may act for themselves as individuals or as the agents of other entities. The organizers forming the cooperative need not be members of the cooperative.

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

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

a. Amending the articles.

b. Electing directors.



c. Adopting bylaws.

d. Authorizing or ratifying the purchase, lease, or other acquisition of suitable space, furniture, furnishings, supplies, or materials.

e. Adopting a fiscal year.

f. Contracting to receive and accept contributions.

g. Making appropriate tax elections.

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

Sec. 27. NEW SECTION. 501A.503 ARTICLES OF ORGANIZATION.

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

(1) The name of the cooperative.

(2) The purpose of the cooperative.

(3) The name and address of each organizer.

(4) The period of duration for the cooperative, if the duration is not to be perpetual.

(5) The street address of the cooperative's initial registered office and the name of its registered agent at that office.

b. The articles may contain any other lawful provision.

2. EFFECT OF FILING. When the articles of organization or an application for a certificate of authority has been filed pursuant to subchapter 2 and the required fee has been paid to the secretary under section 501A.205, all of the following shall be presumed:

a. All conditions precedent that are required to be performed by the organizers have been complied with.

b. The organization of the cooperative has been organized under the laws of this state as a separate legal entity.

c. The secretary shall issue an acknowledgment to the cooperative.

Sec. 28. NEW SECTION. 501A.504 AMENDMENT OF ARTICLES.

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

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

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

(a) If approved by a majority of the votes cast.

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

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

2. CERTIFIED STATEMENT.

a. The board shall prepare a certified statement affirming that all of the following are true:

(1) The vote and meeting of the board adopting a resolution of the proposed amendment.

(2) The notice given to members of the meeting at which the amendment was adopted.

(3) The quorum registered at the meeting.



(4) The vote cast adopting the amendment.

b. The certified statement shall be signed by the chairperson, vice chairperson, records officer, or financial officer and filed with the records of the cooperative.

3. AMENDMENT BY DIRECTORS. A majority of directors may amend the articles if the cooperative does not have any members with voting rights.

4. FILING. An amendment of the articles shall be filed with the secretary as required in section 501A.503. The amendment is effective as provided in subchapter 2. After an amendment to the articles of organization has been adopted and approved in the manner required by this chapter and by the articles of organization, the cooperative shall deliver to the secretary of state for filing articles of amendment which shall set forth all of the following:

a. The name of the cooperative.

b. The text of each amendment adopted.

c. The date of each amendment's adoption.

d. If the amendment was adopted by the directors or members and that members' adoption was not required.

e. If an amendment required adoption by the members, a statement that the amendment was duly adopted by the members in the manner required by this chapter and by the articles of organization.

Sec. 29. NEW SECTION. 501A.505 EXISTENCE.

1. COMMENCEMENT. The existence of a cooperative shall commence on or after the filing of articles of organization as provided in section 501A.503.

2. DURATION. A cooperative shall have a perpetual duration unless the cooperative provides for a limited period of duration in the articles or the cooperative is dissolved as provided in subchapter 12.

Sec. 30. NEW SECTION. 501A.506 BYLAWS.

1. REQUIRED. A cooperative shall have bylaws governing the cooperative's business affairs, structure, the qualifications, classification, rights and obligations of

members, and the classifications, allocations, and distributions of membership interests, which are not otherwise provided in the articles or by this chapter.

2. CONTENTS.

a. If not stated in the articles, a cooperative's bylaws must state all of the following:

(1) The purpose of the cooperative.

(2) The capital structure of the cooperative to the extent not stated in the articles, including a statement of the classes and relative rights, preferences, and restrictions granted to or imposed upon each class of member interests, the rights to share in profits or distributions of the cooperative, and the authority to issue membership interests, which may be designated to be determined by the board.

(3) A provision designating the voting and governance rights, to the extent not stated in the articles, including which membership interests have voting power and any limitations or restrictions on the voting power, which shall be in accordance with the provisions of this chapter.

(4) A statement that patron membership interests with voting power shall be restricted to one vote for each member regardless of the amount of patron membership interests held in the affairs of the cooperative or a statement describing the allocation of voting power allocated as prescribed in this chapter.

(5) A statement that membership interests held by a member are transferable only with the approval of the board or as provided in the bylaws.

(6) If nonpatron membership interests are authorized, all of the following:

(a) A statement as to how profits and losses will be allocated and cash will be distributed between patron membership interests collectively and nonpatron membership interests collectively to the extent not stated in the articles.



(b) A statement that net income allocated to a patron membership interest as determined by the board in excess of dividends and additions to reserves shall be distributed on the basis of patronage.

(c) A statement that the records of the cooperative shall include patron membership interests and, if authorized, nonpatron membership interests, which may be further described in the bylaws of any classes and in the reserves.

b. The bylaws may contain any provision relating to the management or regulation of the affairs of the cooperative that are not inconsistent with law or the articles, and shall include all of the following:

(1) The number of directors and the qualifications, manner of election, powers, duties, and compensation, if any, of directors.

(2) The qualifications of members and any limitations on their number.

(3) The manner of admission, withdrawal, suspension, and expulsion of members.

(4) Generally, the governance rights, financial rights, assignability of governance and financial rights, and other rights, privileges, and obligations of members and their membership interests, which may be further described in member control agreements.

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

3. ADOPTION.

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

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

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

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

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

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

4. AMENDMENT OF BYLAWS BY BOARD OR MEMBERS.

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

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

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

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

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



5. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR MEMBERS.

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

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

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

6. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR DIRECTORS.

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

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

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

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

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

7. EMERGENCY BYLAWS.

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

(1) Procedures for calling a meeting of the board.

(2) Quorum requirements for the meeting.

(3) Designation of additional or substitute directors.

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

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

(1) The action binds the cooperative.

(2) The action shall not be the basis for imposition of liability on any director, officer, employee, or agent of the cooperative on the grounds that the action was not authorized cooperative action.

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

Sec. 31. NEW SECTION. 501A.507 COOPERATIVE RECORDS.

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

2. ACCOUNTING RECORDS. A cooperative shall maintain appropriate accounting records.

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



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

a. Its articles and other governing instruments.

b. Its bylaws or other similar instruments.

c. A record of the names and addresses of its members, in a form that allows preparation of an alphabetical list of members with each member's address.

d. The minutes of members' meetings, and records of all actions taken by members without a meeting by unanimous written consent in lieu of a meeting, for the past three years.

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

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

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

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

SUBCHAPTER 6

POWERS AND AUTHORITIES

Sec. 32. NEW SECTION. 501A.601 POWERS.

1. GENERALLY.

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

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

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

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

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

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

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

4. HOLDING AND TRANSACTIONS OF REAL AND PERSONAL PROPERTY.

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

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



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

6. DEBT INSTRUMENTS.

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

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

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

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

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

9. BORROWING, INVESTMENT, AND PAYMENT TERMS. A cooperative may borrow money from its members, or cooperatives or associations from which the cooperative is constituted, with security that the cooperative considers sufficient. A cooperative may invest or reinvest its moneys. A cooperative may extend payment terms to its customers not exceeding six months from the date of the sale of the cooperative's goods or services. An extension of payment terms by the cooperative

shall not be secured by real property. A cooperative may exercise rights as a lien creditor or judgment creditor to collect any past due or delinquent account which is owed to the cooperative.

10. PENSIONS AND BENEFITS. A cooperative may pay pensions, retirement allowances, and compensation for past services to and for the benefit of, and establish, maintain, continue, and carry out, wholly or partially at the expense of the cooperative, employee, or incentive benefit plans, trusts, and provisions to or for the benefit of any or all of its and its related organizations' officers, managers, directors, governors, employees, and agents; and in the case of a related organization that is a cooperative, members who provide services to the cooperative, and any of their families, dependents, and beneficiaries. A cooperative may indemnify and purchase and maintain insurance for and on behalf of a fiduciary of any of these employee benefit and incentive plans, trusts, and provisions.

11. INSURANCE.

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

b. A cooperative or a foreign cooperative shall not sell, solicit, or negotiate in this state any line of insurance to members or nonmembers.

12. OWNERSHIP INTERESTS IN OTHER ENTITIES.

a. A cooperative may purchase, acquire, hold, or dispose of the ownership interests of another business entity or organize business entities whether organized under the laws of this state or another state or the United States and assume all rights, interests, privileges, responsibilities, and



obligations arising out of the ownership interests, including a business entity organized as any of the following:

(1) As a federation of associations.

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

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

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

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

Sec. 33. NEW SECTION. 501A.602 EMERGENCY POWERS.

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

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

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

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

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

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

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

a. The action binds the cooperative.

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

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

Sec. 34. NEW SECTION. 501A.603 AGRICULTURAL COMMODITIES AND PRODUCTS -- MARKETING CONTRACTS.

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

2. TITLE TO COMMODITIES OR PRODUCTS. If a sale is contracted to the cooperative, the sale shall transfer title to the commodity or product absolutely, except for a recorded lien or security interest against the agricultural commodity or product of the patron member or patron as provided in article 9 of chapter 554, and provisions in Title XIV, subtitle 3, governing agricultural liens, and liens granted against farm products under federal law, to the cooperative on delivery of the commodity or product or at another specified time if expressly provided in the contract. The contract may allow the cooperative to sell or resell the commodity or product of its patron member or patron with or without taking title to the commodity or product, and pay the resale price to the patron member or patron, after deducting all necessary selling, overhead, and other costs and expenses, including other proper reserves and interest.



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

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

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

6. PENALTIES FOR CONTRACT INTERFERENCE AND FALSE REPORTS. A person who knowingly induces or attempts to induce any member or patron of a cooperative organized under this chapter to breach a marketing contract with the cooperative is guilty of a simple misdemeanor.

7. CIVIL DAMAGES FOR CONTRACT INTERFERENCE AND FALSE REPORTS. In addition to the penalty provided in subsection 6, the person may be liable to the cooperative for civil damages

for any violation of that subsection.

SUBCHAPTER 7

DIRECTORS AND OFFICERS

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

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

Sec. 36. NEW SECTION. 501A.702 NUMBER OF DIRECTORS.

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

Sec. 37. NEW SECTION. 501A.703 ELECTION OF DIRECTORS.

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

2. GENERALLY.

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

b. A majority of the directors shall be members and a majority of the directors shall be elected exclusively by the members holding patron membership interests unless otherwise provided in the articles or bylaws.



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

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

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

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

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

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

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

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

3. ELECTION AT REGULAR MEETING. Directors shall be elected at the regular members' meeting for the terms of office prescribed in the bylaws. Except for directors elected at district meetings or special meetings to fill a vacancy, all directors shall be elected at the regular members'

meeting. There shall be no cumulative voting for directors except as provided in this chapter and the articles or bylaws.

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

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

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

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

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

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

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

7. TERM. A director holds office for the term the director was elected and until a successor is elected and has



qualified, or the earlier death, resignation, removal, or disqualification of the director.

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

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

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

Sec. 38. NEW SECTION. 501A.704 FILLING VACANCIES.

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

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

Sec. 39. NEW SECTION. 501A.705 REMOVAL OF DIRECTORS.

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

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

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

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

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

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

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

Sec. 40. NEW SECTION. 501A.706 BOARD OF DIRECTORS' MEETINGS.

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

2. ELECTRONIC COMMUNICATIONS.

a. A conference among directors by any means of communication through which the directors may simultaneously hear each other during the conference constitutes a board meeting, if the same notice is given of the conference as would be required by subsection 3 for a meeting, and if the number of directors participating in the conference would be



sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

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

3. CALLING MEETINGS AND NOTICE. Unless the articles or bylaws provide for a different time period, a director may call a board meeting by giving at least ten days' notice or, in the case of organizational meetings, at least three days' notice to all directors of the date, time, and place of the meeting. The notice need not state the purpose of the meeting unless this chapter, the articles, or the bylaws require it.

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

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

6. ABSENT DIRECTORS. If the articles or bylaws so provide, a director may give advance written consent or opposition to a proposal to be acted on at a board meeting. If the director is not present at the meeting, consent or

opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition must be counted as the vote of a director present at the meeting in favor of or against the proposal and must be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

Sec. 41. NEW SECTION. 501A.707 QUORUM.

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

Sec. 42. NEW SECTION. 501A.708 ACT OF BOARD OF DIRECTORS.

1. Except as provided in subsection 2, the board shall only take action at a duly held meeting by the affirmative vote of any of the following:

a. A majority of directors present at the meeting.

b. A majority of the directors' voting power present at the meeting.

2. The articles or bylaws may require the affirmative vote of a larger vote than provided in subsection 1. If the articles or bylaws require a larger vote than is required by this chapter for a particular action, the articles or bylaws control.

Sec. 43. NEW SECTION. 501A.709 ACTION WITHOUT A MEETING.

1. METHOD. An action required or permitted to be taken at a board meeting may be taken by written action signed by all



of the directors. If the articles or bylaws so provide, any action, other than an action requiring member approval, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the board at which all directors were present.

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

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

Sec. 44. NEW SECTION. 501A.710 AUDIT COMMITTEE.

The board shall establish an audit committee to review the financial information and accounting report of the cooperative. The cooperative shall have the financial information audited for presentation to the members unless the cooperative's bylaws allow financial statements that are not audited and the financial statements clearly state that they are not audited and the difference between the financial statements and audited financial statements that are prepared according to generally accepted accounting procedures. The directors shall elect members to the audit committee. The audit committee shall ensure an independent review of the cooperative's finances and audit.

Sec. 45. NEW SECTION. 501A.711 COMMITTEES.

1. GENERALLY. A resolution approved by the affirmative vote of a majority of the board may establish committees having the authority of the board in the management of the business of the cooperative only to the extent provided in the resolution. Committees may include a special litigation committee consisting of one or more independent directors or other independent persons to consider legal rights or remedies

of the cooperative and whether those rights and remedies should be pursued. Committees other than special litigation committees are subject at all times to the direction and control of the board.

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

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

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

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

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

Sec. 46. NEW SECTION. 501A.712 STANDARD OF CONDUCT.

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

2. RELIANCE.

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



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

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

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

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

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

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

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

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

4. CONSIDERATIONS. In discharging the duties of the position of director, a director may, in considering the best interests of the cooperative, consider the interests of the cooperative's employees, customers, suppliers, and creditors, the economy of the state, and long-term as well as short-term interests of the cooperative and its patron members, including the possibility that these interests may be best served by the continued independence of the cooperative.

Sec. 47. NEW SECTION. 501A.713 DIRECTOR CONFLICTS OF INTEREST.

1. CONFLICT AND PROCEDURE WHEN CONFLICT ARISES.

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

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

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

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

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

b. If a committee is elected or appointed to authorize, ratify, or approve a contract or transaction under this



section, the members of the committee must not have a conflict of interest and must be charged with representing the best interests of the cooperative.

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

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

b. A director has a material financial interest in each organization in which the director or a family member of the director has a material financial interest. A contract or other transaction between a cooperative and a family member of a director is considered to be a transaction between the cooperative and the director. A family member of a director includes the spouse, parents, children and spouses of children, brothers and sisters and spouses of brothers and sisters, and the brothers and sisters of the spouse of the director or any combination of them.

Sec. 48. NEW SECTION. 501A.714 LIMITATION OF DIRECTOR'S LIABILITY.

Except as otherwise provided in this chapter, a director, officer, employee, or member of the cooperative is not liable for the cooperative's debts or obligations, and a director, officer, member, or other volunteer is not personally liable in that capacity, for a claim based upon any action taken, or any failure to take action in the discharge of the person's duties, except for the amount of a financial benefit received by the person to which the person is not entitled, an

intentional infliction of harm to the cooperative or its members or patrons, or an intentional violation of criminal law.

Sec. 49. NEW SECTION. 501A.715 INDEMNIFICATION.

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

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

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

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

(3) With respect to a director, chief executive officer, member, or employee of the cooperative who, while a director, chief executive officer, or member or employee of the cooperative, is or was serving at the request of the cooperative or whose duties in that position involve or involved service as a governor, director, manager, officer, member, partner, trustee, employee, or agent of another organization or employee benefit plan, the position of that person as a governor, director, manager, officer, member, partner, trustee, employee, or agent, as the case may be, of the other organization or employee benefit plan.

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

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



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

2. INDEMNIFICATION.

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

(1) All of the following apply:

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

(b) The person acted in good faith.

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

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

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

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

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

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

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

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

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

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

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



4. PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES. The articles or bylaws either may prohibit indemnification or advances of expenses otherwise required by this section or may impose conditions on indemnification or advances of expenses in addition to the conditions contained in subsection 2 or 3, including, without limitation, monetary limits on indemnification or advances of expenses if the conditions apply equally to all persons or to all persons within a given class. A prohibition or limit on indemnification or advances of expenses shall not apply to or affect the right of a person to indemnification or advances of expenses with respect to any acts or omissions of the person occurring before the effective date of a provision in the articles or the date of adoption of a provision in the bylaws establishing the prohibition or limit on indemnification or advances of expenses.

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

6. DETERMINATION OF ELIGIBILITY.

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

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

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

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

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

(5) If an adverse determination is made under subparagraphs (1) through (4) or paragraph "b" or if a determination is not made under subparagraphs (1) through (4) or paragraph "b" within sixty days either after the later to occur of the termination of a proceeding or a written request for indemnification to the cooperative, or a written request for an advance of expenses, as the case may be, by a court in this state, which may be the same court in which the proceeding involving the person's liability took place upon application of the person and any notice the court requires. The person seeking indemnification or payment or reimbursement of expenses under this subparagraph has the burden of establishing that the person is entitled to indemnification or payment or reimbursement of expenses.

b. With respect to a person who is not, and was not at the time of the act or omission complained of in the proceedings, a director, chief executive officer, or person possessing, directly or indirectly, the power to direct or cause the direction of the management or policies of the cooperative, the determination whether indemnification of this person is required because the criteria set forth in subsection 2 have been satisfied and whether such person is entitled to payment or reimbursement of expenses in advance of the final disposition of a proceeding as provided in subsection 3, may



be made by an annually appointed committee of the board, having at least one member who is a director. The committee shall report at least annually to the board concerning its actions.

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

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

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

Sec. 50. NEW SECTION. 501A.716 OFFICERS.

1. REQUIRED OFFICERS.

a. The board shall elect all of the following:

(1) A chairperson.

(2) One or more vice chairpersons.

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

(1) A records officer.

(2) A financial officer.

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

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

3. RECORDS OFFICER AND FINANCIAL OFFICER MAY BE COMBINED. The offices of records officer and financial officer may be combined.

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

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

SUBCHAPTER 8

MEMBERS

Sec. 51. NEW SECTION. 501A.801 MEMBERS.

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

2. GROUPING OF MEMBERS.

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

b. The board may implement the use of districts or units, including setting the time and place and prescribing the rules of conduct for holding meetings by districts or units to elect delegates to members' meetings.

3. MEMBER VIOLATIONS.

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



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

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

4. INSPECTION OF COOPERATIVE RECORDS BY MEMBER.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

Sec. 52. NEW SECTION. 501A.802 MEMBER NOT LIABLE FOR COOPERATIVE DEBTS.

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

Sec. 53. NEW SECTION. 501A.803 REGULAR MEMBERS' MEETINGS.

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

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

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

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

5. NOTICE.

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

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

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



Sec. 54. NEW SECTION. 501A.804 SPECIAL MEMBERS' MEETINGS.

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

a. A majority vote of the board.

b. The written petition of at least twenty percent of the patron members and, if authorized by the articles or bylaws, twenty percent of the nonpatron members, twenty percent of all members, or members representing twenty percent of the membership interests collectively submitted to the chairperson.

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

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

Sec. 55. NEW SECTION. 501A.805 CERTIFICATION OF MEETING NOTICE.

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

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

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

Sec. 56. NEW SECTION. 501A.806 QUORUM.

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

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

b. Fifty members for cooperatives with more than five hundred members.

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

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

Sec. 57. NEW SECTION. 501A.807 REMOTE COMMUNICATIONS FOR MEMBERS' MEETINGS.



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

a. To facilitate remote communication consistent with other applicable law.

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

2. MEMBERS' MEETINGS HELD SOLELY BY MEANS OF REMOTE COMMUNICATION. To the extent authorized in the articles, a member control agreement, or the bylaws and determined by the board, a regular or special meeting of members may be held solely by any combination of means of remote communication through which the members may participate in the meeting, if notice of the meeting is given to every owner of membership interests entitled to vote as would be required by this chapter for a meeting, and if the membership interests held by the members participating in the meeting would be sufficient to constitute a quorum at a meeting. Participation by a member by that means constitutes presence at the meeting in person or by proxy if all the other requirements of this chapter for the meeting are met.

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

4. REQUIREMENTS FOR MEETINGS HELD SOLELY BY MEANS OF REMOTE COMMUNICATION AND FOR PARTICIPATION BY MEANS OF REMOTE COMMUNICATION. In any meeting of members held solely by means of remote communication under subsection 2 or in any meeting of members held at a designated place in which one or more

members participate by means of remote communication under subsection 3, all of the following shall apply:

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

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

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

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

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

5. NOTICE TO MEMBERS.

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

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

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

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

(a) The posting.



(b) The giving of the separate notice.

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

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

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

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

7. WAIVER. Waiver of notice by a member of a meeting by means of authenticated electronic communication may be given in the manner provided for the regular or special meeting. Participation in a meeting by means of remote communication described in subsections 2 and 3 is a waiver of notice of that meeting, except where the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item cannot lawfully be considered at the meeting and does not participate in the consideration of the item at that meeting.

Sec. 58. NEW SECTION. 501A.808 ACT OF MEMBERS.

1. ACTION BY AFFIRMATIVE VOTE OF MEMBERS.

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

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

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

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

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

3. GREATER QUORUM OR VOTING REQUIREMENTS.

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



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

Sec. 59. NEW SECTION. 501A.809 ACTION WITHOUT A MEETING.

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

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

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

Sec. 60. NEW SECTION. 501A.810 MEMBER VOTING RIGHTS.

1. MEMBER HAS ONE VOTE OR PATRONAGE VOTING. A patron member of a cooperative is only entitled to one vote on an issue to be voted upon by members holding patron membership interests. However, if authorized in the cooperative's articles or bylaws, a patron member may be entitled to additional votes based on patronage criteria in section 501A.811. If nonpatron members are authorized by the patron

members and granted voting rights on any matter voted on by the members of the cooperative, the entire patron members' voting power shall be voted collectively based upon the vote of the majority of patron members voting on the issue and the collective vote of the patron members shall be a majority of the vote cast unless otherwise provided in the bylaws. The bylaws shall not reduce the collective patron member vote to less than fifteen percent of the total vote on matters of the cooperative. A nonpatron member has the voting rights in accordance to the nonpatron member's nonpatron membership interests as granted in the bylaws, subject to the provisions of this chapter.

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

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

4. MEMBERS REPRESENTED BY DELEGATES.

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

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

c. If the approval of a certain portion of the members is required for adoption of amendments, a dissolution, a merger, a consolidation, or a sale of assets, the votes of delegates



shall be counted as votes by the members represented by the delegate.

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

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

5. ABSENTEE BALLOTS.

a. The provisions of this subsection apply to absentee ballots.

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

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

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

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

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

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

Sec. 61. NEW SECTION. 501A.811 PATRON MEMBER VOTING BASED ON PATRONAGE.

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

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

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

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

d. A combination of methods provided in this subsection.

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

a. A stipulated amount of business transacted between the patron members in the units or districts and the cooperative.

b. A certain stipulated amount of equity allocated to or held by the patron members of the units or districts of the cooperative.

c. A combination of methods in this subsection.

Sec. 62. NEW SECTION. 501A.812 VOTING RIGHTS.

1. DETERMINATION. The board may fix a date not more than sixty days, or a shorter time period provided in the articles or bylaws, before the date of a meeting of members as the date for the determination of the owners of membership interests entitled to notice of and entitled to vote at the meeting. When a date is so fixed, only members on that date are entitled to notice of and permitted to vote at that meeting of members.

2. NONMEMBERS. The articles or bylaws may give or prescribe the manner of giving a creditor, security holder, or other person a right to vote on patron membership interests under this section.

3. JOINTLY OWNED MEMBERSHIP INTERESTS. Membership interests owned by two or more members may be voted by any one of them unless the cooperative receives written notice from any one of them denying the authority of that person to vote those membership interests.



4. MANNER OF VOTING AND PRESUMPTION. Except as provided in subsection 3, an owner of a nonpatron membership interest or a patron membership interest with more than one vote that is entitled to vote may vote any portion of the membership interest in any way the member chooses. If a member votes without designating the proportion voted in a particular way, the member is considered to have voted all of the membership interest in that way.

Sec. 63. NEW SECTION. 501A.813 VOTING BY ORGANIZATIONS AND LEGAL REPRESENTATIVES.

1. MEMBERSHIP INTERESTS HELD BY ANOTHER ORGANIZATION. Membership interests of a cooperative reflected in the required records as being owned by another domestic business entity or foreign business entity may be voted by the chairperson, chief executive officer, or another legal representative of that organization.

2. MEMBERSHIP INTERESTS HELD BY SUBSIDIARY. Except as provided in subsection 3, membership interests of a cooperative reflected in the required records as being owned by a subsidiary are not entitled to be voted on any matter.

3. MEMBERSHIP INTERESTS CONTROLLED IN A FIDUCIARY CAPACITY. Membership interests of a cooperative in the name of, or under the control of, the cooperative or a subsidiary in a fiduciary capacity are not entitled to be voted on any matter, except to the extent that the settler or beneficiary possesses and exercises a right to vote or gives the cooperative or, with respect to membership interests in the name of or under control of a subsidiary, the subsidiary, binding instructions on how to vote the membership interests.

4. VOTING BY CERTAIN REPRESENTATIVES. Subject to section 501A.810, membership interests under the control of a person in a capacity as a personal representative, an administrator, executor, guardian, conservator, or the like may be voted by the person, either in person or by proxy, without reflecting in the required records those membership interests in the name of the person.

5. VOTING BY TRUSTEES IN BANKRUPTCY OR RECEIVER. Membership interests reflected in the required records in the name of a trustee in bankruptcy or a receiver may be voted by the trustee or receiver either in person or by proxy. Membership interests under the control of a trustee in bankruptcy or a receiver may be voted by the trustee or receiver without reflecting in the required records the name of the trustee or receiver, if authority to do so is contained in an appropriate order of the court by which the trustee or receiver was appointed. The right to vote of trustees in bankruptcy and receivers is subject to section 501A.810.

6. MEMBERSHIP INTERESTS HELD BY OTHER ORGANIZATIONS. Membership interests reflected in the required records in the name of a business entity not described in subsections 1 through 5 may be voted either in person or by proxy by the legal representative of that business entity.

7. GRANT OF SECURITY INTEREST. The grant of a security interest in a membership interest does not entitle the holders of the security interest to vote.

Sec. 64. NEW SECTION. 501A.814 PROXIES.

1. AUTHORIZATION.

a. A patron member may only grant a proxy to vote to another patron member.

b. A member may cast or authorize the casting of a vote by any of the following:

(1) Filing a written appointment of a proxy with the board at or before the meeting at which the appointment is to be effective.

(2) Telephonic transmission or authenticated electronic communication, whether or not accompanied by written instructions of the member, of an appointment of a proxy with the cooperative or the cooperative's duly authorized agent at or before the meeting at which the appointment is to be effective.

c. The telephonic transmission or authenticated electronic communication must set forth or be submitted with information



from which it can be determined that the appointment was authorized by the member. If it is reasonably concluded that the telephonic transmission or authenticated electronic communication is valid, the inspectors of election or, if there are not inspectors, the other persons making that determination shall specify the information upon which they relied to make that determination. A proxy so appointed may vote on behalf of the member, or otherwise participate, in a meeting by remote communication under section 501A.807, to the extent the member appointing the proxy would have been entitled to participate by remote communication if the member did not appoint the proxy.

d. A copy, facsimile, telecommunication, or other reproduction of the original writing or transmission may be substituted or used in lieu of the original writing or transmission for any purpose for which the original transmission could be used, if the copy, facsimile, telecommunication, or other reproduction is a complete and legible reproduction of the entire original writing or transmission.

e. An appointment of a proxy for membership interests owned jointly by two or more members is valid if signed or consented to by authenticated electronic communication, by any one of them, unless the cooperative receives from any one of those members written notice or an authenticated electronic communication either denying the authority of that person to appoint a proxy or appointing a different proxy.

2. DURATION. The appointment of a proxy is valid for eleven months unless a longer period is expressly provided in the appointment. An appointment is not irrevocable unless the appointment is coupled with an interest in the membership interests or the cooperative.

3. TERMINATION. An appointment may be terminated at will unless the appointment is coupled with an interest, in which case the appointment shall not be terminated except in accordance with the terms of an agreement, if any, between the

parties to the appointment. Termination may be made by filing written notice of the termination of the appointment with a manager of the cooperative or by filing a new written appointment of a proxy with a manager of the cooperative. Termination in either manner revokes all prior proxy appointments and is effective when filed with a manager of the cooperative.

4. REVOCATION BY DEATH OR INCAPACITY. The death or incapacity of a person appointing a proxy does not revoke the authority of the proxy, unless written notice of the death or incapacity is received by a manager of the cooperative before the proxy exercises the authority under that appointment.

5. MULTIPLE PROXIES. Unless the appointment specifically provides otherwise, if two or more persons are appointed as proxies for a member, all of the following apply:

a. Any one of them may vote the membership interests on each item of business in accordance with specific instructions contained in the appointment.

b. If no specific instructions are contained in the appointment with respect to voting the membership interests on a particular item of business, the membership interests must be voted as a majority of the proxies determine. If the proxies are equally divided, the membership interests must not be voted.

6. VOTE OF PROXY ACCEPTED AND LIABILITY. Unless the appointment of a proxy contains a restriction, limitation, or specific reservation of authority, the cooperative may accept a vote or action taken by a person named in the appointment. The vote of a proxy is final, binding, and not subject to challenge, but the proxy is liable to the member for damages resulting from a failure to exercise the proxy or from an exercise of the proxy in violation of the authority granted in the appointment.

7. LIMITED AUTHORITY. If a proxy is given authority by a member to vote on less than all items of business considered at a meeting of members, the member is considered to be



present and entitled to vote by the proxy only with respect to those items of business for which the proxy has authority to vote. A proxy who is given authority by a member who abstains with respect to an item of business is considered to have authority to vote on the item of business for purposes of this subsection.

Sec. 65. NEW SECTION. 501A.815 SALE OF PROPERTY AND ASSETS.

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

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

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

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

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

2. MEMBER APPROVAL REQUIRED. Except as provided in subsection 1, a cooperative, by affirmative vote of a majority of the board present, may sell, lease, transfer, or otherwise dispose of all or substantially all of its property and assets, including its goodwill, not in the usual and regular course of its business, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board considers expedient, when approved at a regular or special meeting of the members by the affirmative vote of

two-thirds of the voting power voting at the meeting. Ten days' written notice of the meeting must be given to all members whether or not they are entitled to vote at the meeting. The written notice must state that a purpose of the meeting is to consider the sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the cooperative.

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

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

Sec. 66. NEW SECTION. 501A.816 VOTE OF OWNERSHIP INTERESTS HELD BY COOPERATIVE.

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

SUBCHAPTER 9

MEMBERSHIP INTERESTS

Sec. 67. NEW SECTION. 501A.901 MEMBERSHIP INTERESTS.

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



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

2. NONPATRONAGE MEMBERSHIP INTERESTS.

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

b. If nonpatron membership interests are authorized, the cooperative may solicit and issue nonpatron membership interests on terms and conditions determined by the board and disclosed in the articles, bylaws, or by separate disclosure to the members. Each member acquiring nonpatron membership interests shall sign a member control agreement or otherwise agree to the conditions of the bylaws. The control agreement or the bylaws shall describe the rights and obligations of the member as it relates to the nonpatron membership interests, the financial and governance rights, the transferability of the nonpatron membership interests, the division and allocation of profits and losses among the membership interests and membership classes, and financial rights upon liquidation. If the articles or bylaws do not otherwise provide for the allocation of the profits and losses between patron membership interests and nonpatron membership interests, then the allocation of profits and losses among nonpatron membership interests individually and patron membership interests collectively shall be allocated on the basis of the value of contributions to capital made according to the patron membership interests collectively and the nonpatron memberships interests individually to the extent the contributions have been accepted by the cooperative. Distributions of cash or other assets of the cooperative shall be allocated among the membership interests as provided in the

articles or bylaws, subject to the provisions of this chapter. If not otherwise provided in the articles or bylaws, distributions shall be made on the basis of value of the capital contributions of the patron membership interests collectively and the nonpatron membership interests to the extent the contributions have been accepted by the cooperative.

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

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

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



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

7. PAYMENT FOR DISSENTING MEMBERSHIP INTERESTS.

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

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

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

b. The dissenting member shall file a notice of intent to demand fair value of the membership interest with the records officer of the cooperative within thirty days after the amendment of the bylaws and notice of the amendment to members; otherwise, the right of the dissenting member to demand payment of fair value for the membership interest is waived. If a proposed amendment of the articles or bylaws must be approved by the members, a member who is entitled to dissent and who wishes to exercise dissenter's rights shall file a notice to demand fair value of the membership interest with the records officer of the cooperative; otherwise, the right to demand fair value for the membership interest by the dissenting member is waived. After receipt of the dissenting member's demand notice and approval of the amendment, the

cooperative has sixty days to rescind the amendment, or otherwise the cooperative shall remit the fair value for the member's interest to the dissenting member by one hundred eighty days after receipt of the notice. Upon receipt of the fair value for the membership interest, the member has no further member rights in the cooperative.

Sec. 68. NEW SECTION. 501A.902 ASSIGNMENT OF FINANCIAL RIGHTS.

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

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

3. RESTRICTIONS OF ASSIGNMENT OF FINANCIAL RIGHTS.

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

b. Subject to paragraph "c", a written restriction on the assignment of financial rights that is not manifestly unreasonable under the circumstances and is noted



conspicuously in the required records may be enforced against the owner of the restricted financial rights or a successor or transferee of the owner, including a pledgee or a legal representative. Unless noted conspicuously in the required records, a restriction, even though permitted by this section, is ineffective against a person without knowledge of the restriction.

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

d. Notwithstanding any provision of law, articles, bylaws, member control agreement, other agreement, resolution, or action to the contrary, a security interest in a member's financial rights may be foreclosed and otherwise enforced, and a secured party may assign a member's financial rights in accordance with the uniform commercial code, chapter 554, without the consent or approval of the member whose financial rights are subject to the security interest.

Sec. 69. NEW SECTION. 501A.903 NATURE OF A MEMBERSHIP INTEREST AND STATEMENT OF INTEREST OWNED.

1. GENERALLY. A membership interest is personal property. A member has no interest in specific cooperative property. All property of the cooperative is property of the cooperative.

2. STATEMENT OF MEMBERSHIP INTEREST. At the request of any member, the cooperative shall state in writing the particular membership interest owned by that member as of the date the cooperative makes the statement. The statement must describe the member's rights to vote, if any, to share in profits and losses, and to share in distributions,

restrictions on assignments of financial rights under section 501A.902, subsection 3, or voting rights under section 501A.810 then in effect, as well as any assignment of the member's rights then in effect other than a security interest.

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

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

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

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

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

5. a. Subject to any restrictions in the articles or bylaws, the power granted in this subsection may be exercised by a resolution or resolutions establishing a class or series,



setting forth the designation of the class or series, and fixing the relative rights and preferences of the class or series. Any of the rights and preferences of a class or series established in the articles, bylaws, or by resolution of the board may do any of the following:

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

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

b. A statement setting forth the name of the cooperative and the text of the resolution and certifying the adoption of the resolution and the date of adoption must be given to the members before the acceptance of any contributions for which the resolution creates rights or preferences not set forth in the articles or bylaws. Where the members have received notice of the creation of membership interests with rights or preferences not set forth in the articles or bylaws before the acceptance of the contributions with respect to the membership interests, the statement may be filed anytime within one year after the acceptance of the contributions. The resolution is effective three days after delivery to the members is deemed effective by the board, or, if the statement is not required to be given to the members before the acceptance of contributions, on the date of its adoption by the directors.

6. SPECIFIC TERMS. Without limiting the authority granted in this section, in regulating the membership interests of a class or series, a cooperative may do any of the following:

a. Subject to the right of the cooperative to redeem any of those membership interests at the price fixed for their redemption by the articles or bylaws or by the board.

b. Entitle the members to receive cumulative, partially cumulative, or noncumulative distributions.

c. Provide a preference over any class or series of membership interests for the payment of distributions of any or all kinds.

d. Convert into membership interests of any other class or any series of the same or another class.

e. Provide full, partial, or no voting rights, except as provided in section 501A.810.

7. GRANT OF A SECURITY INTEREST. For the purpose of any law relating to security interests, membership interests, governance or voting rights, and financial rights are each to be characterized as provided in section 554.8103, subsection 3.

8. POWERS OF ESTATE OF A DECEASED OR INCOMPETENT MEMBER.

a. If a member who is an individual dies or a court of competent jurisdiction adjudges the member to be incompetent to manage the member's person or property, or an order for relief under the bankruptcy code is entered with respect to the member, the member's executor, administrator, guardian, conservator, trustee, or other legal representative may exercise all of the member's rights for the purpose of settling the estate or administering the member's property. If a member is a business entity, trust, or other entity and is dissolved, terminated, or placed by a court in receivership or bankruptcy, the powers of that member may be exercised by its legal representative or successor.

b. If an event referred to in paragraph "a" causes the termination of a member's membership interest and the termination does not result in dissolution, then, subject to the articles and bylaws, all of the following apply:

(1) As provided in section 501A.902, the terminated member's interest will be considered to be merely that of an



assignee of the financial rights owned before the termination of membership.

(2) The rights to be exercised by the legal representative of the terminated member shall be limited accordingly.

9. LIABILITY OF SUBSCRIBERS AND MEMBERS WITH RESPECT TO MEMBERSHIP INTERESTS. A person who subscribes to or owns a membership interest in a cooperative is under no obligation to the cooperative or its creditors with respect to the membership interests subscribed for or owned, except to pay to the cooperative the full consideration for which the membership interests are issued or to be issued.

Sec. 70. NEW SECTION. 501A.904 CERTIFICATED MEMBERSHIP INTERESTS.

1. CERTIFICATED -- UNCERTIFICATED. The membership interests of a cooperative shall be either certificated or uncertificated. Each holder of certificated membership interests issued is entitled to a certificate of membership interest.

2. SIGNATURE REQUIRED. Certificates shall be signed by an agent or officer authorized in the articles or bylaws to sign share certificates or, in the absence of an authorization, by the chairperson or records officer of the cooperative.

3. SIGNATURE VALID. If a person signs or has a facsimile signature placed upon a certificate while the chairperson, an officer, transfer agent, or records officer of a cooperative, the certificate may be issued by the cooperative, even if the person has ceased to have that capacity before the certificate is issued, with the same effect as if the person had that capacity at the date of its issue.

4. FORM OF CERTIFICATE. A certificate representing membership interests of a cooperative shall contain on its face all of the following:

a. The name of the cooperative.

b. A statement that the cooperative is organized under the laws of this state and this chapter.

c. The name of the person to whom the certificate is issued.

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

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

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

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

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

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

The resolution does not apply to membership interests represented by a certificate until the certificate is surrendered to the cooperative. Within a reasonable time



after the issuance or transfer of uncertificated membership interests, the cooperative shall send to the new member the information required by this section to be stated on certificates. This information is not required to be sent to the new holder by a publicly held cooperative that has adopted a system of issuance, recordation, and transfer of its membership interests by electronic or other means not involving an issuance of certificates if the system complies with section 17A of the Securities Exchange Act of 1934, 15 U.S.C. § 78a et seq. Except as otherwise expressly provided by statute, the rights and obligations of the holders of certificated and uncertificated membership interests of the same class and series are identical.

Sec. 71. NEW SECTION. 501A.905 LOST CERTIFICATES -- REPLACEMENT.

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

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

Sec. 72. NEW SECTION. 501A.906 RESTRICTION ON TRANSFER OR REGISTRATION OF MEMBERSHIP INTERESTS.

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

2. RESTRICTIONS PERMITTED. A written restriction on the transfer or registration of transfer of membership interests of a cooperative that is not manifestly unreasonable under the

circumstances may be enforced against the holder of the restricted membership interests or a successor or transferee of the holder, including a pledgee or a legal representative, if the restriction is any of the following:

a. Noted conspicuously on the face or back of the certificate.

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

c. Included in information sent to the holders of uncertificated membership interests.

Unless otherwise restricted by this chapter, the articles, bylaws, noted conspicuously on the face or back of the certificate, or included in information sent to the holders of uncertificated membership interests, a restriction, even though permitted by this section, is ineffective against a person without knowledge of the restriction. A restriction under this section is deemed to be noted conspicuously and is effective if the existence of the restriction is stated on the certificate and reference is made to a separate document creating or describing the restriction.

SUBCHAPTER 10

CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS

Sec. 73. NEW SECTION. 501A.1001 AUTHORIZATION, FORM, AND ACCEPTANCE OF CONTRIBUTIONS.

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

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

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



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

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

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

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

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

Sec. 74. NEW SECTION. 501A.1002 RESTATEMENT OF VALUE OF PREVIOUS CONTRIBUTIONS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 75. NEW SECTION. 501A.1003 CONTRIBUTION AGREEMENTS.

1. SIGNED WRITING. A contribution agreement, whether made before or after the formation of the cooperative, is not

enforceable against the would-be contributor unless it is in writing and signed by the would-be contributor.

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

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

4. FAILURE TO PAY REMEDIES.

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

b. If the amount due under a contribution agreement remains unpaid for a period of twenty days after written notice of demand for payment has been given to the delinquent would-be contributor, the membership interests that were subject to the contribution agreement may be offered for sale by the cooperative for a price in money equaling or exceeding



the sum of the full balance owed by the delinquent would-be contributor plus the expenses incidental to the sale.

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

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

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

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

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

5. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided in the articles or bylaws, a would-be contributor's rights under a contribution agreement shall not be assigned, in whole or in part, to a person who was not a member at the time of

the assignment, unless all the members approve the assignment by unanimous written consent.

Sec. 76. NEW SECTION. 501A.1004 CONTRIBUTION RIGHTS AGREEMENTS.

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

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

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

Sec. 77. NEW SECTION. 501A.1005 ALLOCATIONS AND DISTRIBUTIONS TO MEMBERS.

1. ALLOCATION OF PROFITS AND LOSSES. If nonpatron membership interests are authorized by the patrons, the bylaws shall prescribe the allocation of profits and losses between patron membership interests collectively and any other membership interests. If the bylaws do not otherwise provide, the profits and losses between patron membership interests collectively and other membership interests shall be allocated on the basis of the value of contributions to capital made by the patron membership interests collectively and other membership interests accepted by the cooperative. The allocation of profits to the patron membership interests collectively shall not be less than fifty percent of the total profits in any fiscal year, except if authorized in the cooperative's articles or bylaws that are adopted by an affirmative vote of the patron members, or in the articles or



bylaws as amended by the affirmative vote of the patron members. However, the allocation of profits to the patron membership interests collectively shall not be less than fifteen percent of the total profits in any fiscal year.

2. DISTRIBUTION OF CASH OR OTHER ASSETS. A cooperative's bylaws shall prescribe the distribution of cash or other assets of the cooperative among the membership interests of the cooperative. If nonpatron membership interests are authorized by the patrons and the bylaws do not provide otherwise, distributions and allocations shall be made to the patron membership interests collectively and other members on the basis of the value of contributions to capital made and accepted by the cooperative, by the patron membership interests collectively, and other membership interests. The distributions to patron membership interests collectively shall not be less than fifty percent of the total distributions in any fiscal year, except if authorized in the articles or bylaws adopted by the affirmative vote of the patron members, or the articles or bylaws as amended by the affirmative vote of the patron members. However, the distributions to patron membership interests collectively shall not be less than fifteen percent of the total distributions in any fiscal year.

Sec. 78. NEW SECTION. 501A.1006 ALLOCATIONS AND DISTRIBUTIONS TO PATRON MEMBERS.

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

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

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

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

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

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

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

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

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

Sec. 79. NEW SECTION. 501A.1007 MEMBER CONTROL AGREEMENTS.



1. AUTHORIZATION. A written agreement among persons who are then members, including a sole member, or who have signed subscription or contribution agreements, relating to the control of any phase of the business and affairs of the cooperative, its liquidation, dissolution and termination, or the relations among members or persons who have signed subscription or contribution agreements is valid as provided in subsection 2. Other than the authorization of nonpatron membership interests as provided in section 501A.901 and nonpatron voting rights as provided in section 501A.810, whenever this chapter provides that a particular result may or must be obtained through a provision in a cooperative's articles or bylaws, the same result can be accomplished through a member control agreement valid under this section or through a procedure established by a member control agreement valid under this section. However, the member control agreement must be authorized by the cooperative's articles or bylaws and cannot conflict with the cooperative's articles or bylaws. Any result accomplished through a membership control agreement under this section must be properly disclosed as provided in section 501A.901.

2. VALID EXECUTION. Other than patron member voting control under section 501A.810 and patron member allocation and distribution provisions under sections 501A.1005 and 501A.1006, a written agreement among persons described in subsection 1 that relates to the control of or the liquidation, dissolution, and termination of the cooperative, the relations among them, or any phase of the business and affairs of the cooperative is valid if it meets the requirements of this subsection. This includes but is not limited to the management of its business, the declaration and payment of distributions, the sharing of profits and losses, the election of directors, the employment of members by the cooperative, or the arbitration of disputes. The written agreement must be signed by all persons who are then the members of the cooperative, whether or not the members all

have voting power, and all those who have signed contribution agreements, regardless of whether those signatories will, when members, have voting power.

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

Sec. 80. NEW SECTION. 501A.1008 REVERSION OF DISBURSEMENTS.

1. Once a person's membership interest or other member's equity in a cooperative is deemed abandoned under section 556.5, the cooperative may retain any disbursement held by the cooperative for or owing to the person. The cooperative may also deliver the disbursement to the treasurer of state for disposition as abandoned property pursuant to sections 556.5 and 556.11.

2. If the cooperative elects to retain the disbursement under this section, the disbursement shall be deposited into a reversion fund established by the cooperative.

3. A disbursement having an aggregate value of fifty dollars or more that is retained by the cooperative shall be forfeited to the cooperative only if the cooperative publishes at least one notice of the abandoned property in a publication regularly distributed to its membership or in a newspaper having a general circulation in the county where the cooperative is located. The notice shall include all of the following:

a. The name and address of the cooperative.

b. The name of the person who has an interest in the disbursement according to the records of the cooperative.

c. A brief description of the type of disbursement retained by the cooperative.

d. A statement that the disbursement will be forfeited to the cooperative unless the person files a claim for the disbursement within the period provided for in this section.



4. a. Subject to this subsection, a person asserting an interest in the disbursement may file a claim for it with the cooperative in a manner and according to procedures required by the cooperative. If a person is entitled to an abandoned membership interest, or other interest as provided in section 556.20 or 556.21, the cooperative shall also pay the person the disbursement deposited in the reversion fund that is realized or accrued from the membership interest or other interest.

b. If a person has not filed a claim for the disbursement within six months after the first date that the notice of abandoned property is first published as provided in this section, the disbursement shall be forfeited to the cooperative.

5. The disbursements deposited into the reversion fund that are forfeited to the cooperative shall be used as provided in this subsection. The cooperative may authorize the payment of forfeited disbursements to persons claiming interests in forfeited disbursements as provided in the cooperative's articles of organization or bylaws. Otherwise, forfeited disbursements shall be used as the directors deem suitable for any of the following purposes:

a. Teaching and promoting cooperation. The directors may deposit the amounts of disbursements into the education fund as established by the cooperative.

b. Economic development including private or joint public and private investments involving the creation of economic opportunities for its members or the retention of existing sources of income that would otherwise be lost.

SUBCHAPTER 11

MERGER AND CONVERSION

Sec. 81. NEW SECTION. 501A.1101 MERGER AND CONSOLIDATION.

1. AUTHORIZATION. Unless otherwise prohibited, cooperatives organized under the laws of this state, including cooperatives organized under this chapter or traditional

cooperatives, may merge or consolidate with each other, an Iowa limited liability company under the provisions of section 490A.1207, or other business entities organized under the laws of another state by complying with the provisions of this section and the law of the state where the surviving or new business entity will exist. A cooperative shall not merge or consolidate with a business entity organized under the laws of this state, other than a traditional cooperative unless the law governing the business entity expressly authorizes merger or consolidation with a cooperative. This subsection does not authorize a foreign business entity to do any act not authorized by the law governing the foreign business entity.

2. PLAN. To initiate a merger or consolidation of a cooperative, a written plan of merger or consolidation shall be prepared by the board or by a committee selected by the board to prepare a plan. The plan shall state all of the following:

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

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

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

d. The terms of the merger or consolidation.

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



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

3. NOTICE. The following shall apply to notice:

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

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

4. ADOPTION OF PLAN.

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

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

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

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

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

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

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

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

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

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

a. After the effective date, the domestic cooperative, Iowa limited liability company, if party to the plan, and any foreign business entity that is a party to the plan become a single entity. For a merger, the surviving business entity is the business entity designated in the plan. For a consolidation, the new domestic cooperative, the Iowa limited liability company, if any, and any foreign business entity is the business entity provided for in the plan. Except for the surviving or new domestic cooperative, Iowa limited liability company, or foreign business entity, the separate existence of each merged or consolidated domestic or foreign business entity that is a party to the plan ceases on the effective date of the merger or consolidation.

b. The surviving or new domestic cooperative, Iowa limited liability company, or foreign business entity possesses all of the rights and property of each of the merged or consolidated business entities and is responsible for all their obligations. The title to property of the merged or consolidated domestic cooperative, Iowa limited liability company, or foreign business entity is vested in the surviving or new domestic cooperative, Iowa limited liability company, or foreign business entity without reversion or impairment of the title caused by the merger or consolidation.



c. If a merger involves an Iowa limited liability company, this subsection is subject to the provisions of section 490A.1207.

Sec. 82. NEW SECTION. 501A.1102 MERGER OF SUBSIDIARY.

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

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

a. A parent cooperative owning at least ninety percent of the outstanding ownership interests of each class and series of a subsidiary directly, or indirectly through related organizations, other than classes or series that, absent this section, would otherwise not be entitled to vote on the merger, may merge the subsidiary into itself or into any other subsidiary at least ninety percent of the outstanding ownership interests of each class and series of which is owned by the parent cooperative directly, or indirectly through related organizations, other than classes or series that, absent this section, would otherwise not be entitled to vote on the merger, without a vote of the members of itself or any subsidiary or may merge itself, or itself and one or more of the subsidiaries, into one of the subsidiaries under this section. A resolution approved by the affirmative vote of a majority of the directors of the parent cooperative present shall set forth a plan of merger that contains all of the following:

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

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

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

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

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

c. If the parent cooperative is a constituent cooperative but is not the surviving cooperative in the merger, the resolution is not effective unless the resolution is also approved by the affirmative vote of the holders of a majority of the voting power of all membership interests of the parent entitled to vote at a regular or special meeting if the parent is a cooperative, or in accordance with the laws under which the parent is organized if the parent is a foreign business entity or foreign cooperative.



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

4. ARTICLES OF MERGER -- CONTENTS OF ARTICLES. Articles of merger shall be prepared that contain all of the following:

a. The plan of merger.

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

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

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

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

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

Sec. 83. NEW SECTION. 501A.1103 ABANDONMENT.

1. ABANDONMENT BY MEMBERS OF PLAN. After a plan of merger has been approved by the members entitled to vote on the approval of the plan and before the effective date of the

plan, the plan may be abandoned by the same vote that approved the plan.

2. ABANDONMENT OF MERGER.

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

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

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

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

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

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

(6) The plan is abandoned before the effective date of the plan by a resolution of the board of any constituent domestic cooperative abandoning the plan of merger approved by the affirmative vote of a majority of the directors present, subject to the contract rights of any other person under the plan. If a plan of merger is with a domestic business entity or foreign business entity, the plan of merger may be abandoned before the effective date of the plan by a resolution of the foreign business entity adopted according to the laws of the state under which the foreign business entity is organized, subject to the contract rights of any other person under the plan. If the plan of merger is with an Iowa limited liability company, the plan of merger may be abandoned



by the Iowa limited liability company as provided in section 490A.1207, subject to the contractual rights of any other person under the plan.

b. If articles of merger have been filed with the secretary, but have not yet become effective, the constituent organizations, in the case of abandonment under paragraph "a", subparagraphs (1) through (4), the constituent organizations or any one of them, in the case of abandonment under paragraph "a", subparagraph (5), or the abandoning organization in the case of abandonment under paragraph "a", subparagraph (6), shall file with the secretary articles of abandonment that include all of the following:

(1) The names of the constituent organizations.

(2) The provisions of this section under which the plan is abandoned.

(3) If the plan is abandoned under paragraph "a", subparagraph (6), the text of the resolution abandoning the plan.

Sec. 84. NEW SECTION. 501A.1104 CONVERSION -- AMENDMENT OF ORGANIZATIONAL DOCUMENTS TO BE GOVERNED BY THIS CHAPTER.

1. AUTHORITY.

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

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

c. A traditional cooperative becoming a converted cooperative must prepare a certificate stating all of the following:

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

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

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

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

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

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

a. When the conversion is effective, the rights, privileges, and powers of the cooperative, real and personal property of the cooperative, debts due to the cooperative, and causes of action belonging to the traditional cooperative remain vested in the converted cooperative and are the property of the converted cooperative and governed by this chapter. Title to real property vested by deed or otherwise in the traditional cooperative does not revert and is not impaired by reason of the cooperative being converted and governed by this chapter.



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

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

SUBCHAPTER 12

DISSOLUTION

Sec. 85. NEW SECTION. 501A.1201 METHODS OF DISSOLUTION.

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

Sec. 86. NEW SECTION. 501A.1202 WINDING UP.

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

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

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

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

3. DISTRIBUTION TO MEMBERS. Tangible and intangible property, including money, remaining after the discharge of

the debts, obligations, and liabilities of the cooperative shall be distributed to the members and former members as provided in the cooperative's articles or bylaws, unless otherwise provided by law. If previously authorized by the members, the tangible and intangible property of the cooperative may be liquidated and disposed of at the discretion of the board.

Sec. 87. NEW SECTION. 501A.1203 REVOCATION OF DISSOLUTION PROCEEDINGS.

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

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

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

Sec. 88. NEW SECTION. 501A.1204 STATUTE OF LIMITATIONS.

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

Sec. 89. NEW SECTION. 501A.1205 ARTICLES OF DISSOLUTION.

1. CONDITIONS TO FILE. Articles of dissolution of a cooperative shall be filed with the secretary after payment of the claims of all known creditors and claimants has been made



or provided for and the remaining property has been distributed by the board. The articles of dissolution shall state all of the following:

a. The name of the cooperative.

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

c. The remaining property, assets, and claims of the cooperative have been distributed among the members or under a liquidation authorized by the members.

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

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

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

a. The name of the dissolved cooperative.

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

c. A statement that the cooperative is dissolved.

Sec. 90. NEW SECTION. 501A.1206 APPLICATION FOR COURT-SUPERVISED VOLUNTARY DISSOLUTION.

After a notice of intent to dissolve has been filed with the secretary and before a certificate of dissolution has been issued, the cooperative or, for good cause shown, a member or creditor may apply to a court within the county where the registered address is located to have the dissolution conducted or continued under the supervision of the court.

Sec. 91. NEW SECTION. 501A.1207 COURT-ORDERED REMEDIES FOR DISSOLUTION.

1. CONDITIONS FOR RELIEF. A court may grant equitable relief that the court deems just and reasonable in the circumstances or may dissolve a cooperative and liquidate its assets and business as follows:

a. In a supervised voluntary dissolution that is applied for by the cooperative.

b. In an action by a member when it is established that any of the following apply:

(1) The directors or the persons having the authority otherwise vested in the board are deadlocked in the management of the cooperative's affairs and the members are unable to break the deadlock.

(2) The directors or those in control of the cooperative have acted fraudulently, illegally, or in a manner unfairly prejudicial toward one or more members in their capacities as members, directors, or officers.

(3) The members of the cooperative are so divided in voting power that, for a period that includes the time when two consecutive regular members' meetings were held, they have failed to elect successors to directors whose terms have expired or would have expired upon the election and qualification of their successors.

(4) The cooperative assets are being misapplied or wasted.

(5) The period of duration as provided in the articles has expired and has not been extended as provided in this chapter.

c. In an action by a creditor when any of the following applies:

(1) The claim of the creditor against the cooperative has been reduced to judgment and an execution on the judgment has been returned unsatisfied.

(2) The cooperative has admitted in writing that the claim of the creditor against the cooperative is due and owing and it is established that the cooperative is unable to pay its debts in the ordinary course of business.

(3) In an action by the attorney general to dissolve the cooperative in accordance with this chapter when it is established that a decree of dissolution is appropriate.



2. CONDITION OF COOPERATIVE OR ASSOCIATION. In determining whether to order equitable relief or dissolution, the court shall take into consideration the financial condition of the cooperative, but shall not refuse to order equitable relief or dissolution solely on the grounds that the cooperative has accumulated operating net income or current operating net income.

3. DISSOLUTION AS REMEDY. In deciding whether to order dissolution of the cooperative, the court shall consider whether lesser relief suggested by one or more parties, such as a form of equitable relief or a partial liquidation, would be adequate to permanently relieve the circumstances established under subsection 1, paragraph "b", subparagraph (1) or (2). Lesser relief may be ordered if it would be appropriate under the facts and circumstances of the case.

4. EXPENSES. If the court finds that a party to a proceeding brought under this section has acted arbitrarily, vexatiously, or otherwise not in good faith, the court may in its discretion award reasonable expenses, including attorney fees and disbursements to any of the other parties.

5. VENUE. Proceedings under this section shall be brought in a court within the county where the registered address of the cooperative is located.

6. PARTIES. It is not necessary to make members parties to the action or proceeding unless relief is sought against them personally.

Sec. 92. NEW SECTION. 501A.1208 PROCEDURE IN INVOLUNTARY OR COURT-SUPERVISED VOLUNTARY DISSOLUTION.

1. ACTION BEFORE HEARING. Before a hearing is completed in dissolution proceedings, a court may do any of the following:

a. Issue injunctions.

b. Appoint receivers with all powers and duties that the court directs.

c. Take actions required to preserve the cooperative's assets, wherever located.

d. Carry on the business of the cooperative.

2. ACTION AFTER HEARING. After a hearing is completed, upon notice to parties to the proceedings and to other parties in interest designated by the court, the court may appoint a receiver to collect the cooperative's assets, including amounts owing to the cooperative by subscribers on account of an unpaid portion of the consideration for the issuance of membership interests. A receiver has authority, subject to the order of the court, to continue the business of the cooperative and to sell, lease, transfer, or otherwise dispose of the property and assets of the cooperative, either at public or private sale.

3. DISCHARGE OF OBLIGATIONS. The assets of the cooperative or the proceeds resulting from a sale, lease, transfer, or other disposition shall be applied in the following order of priority:

a. The costs and expense of the proceedings, including attorney fees and disbursements.

b. Debts, taxes, and assessments due the United States, this state, and other states in that order.

c. Claims duly proved and allowed to employees under the provisions of the workers' compensation law, except that claims under this paragraph shall not be allowed if the cooperative carried workers' compensation insurance, as provided by law, at the time the injury was sustained.

d. Claims, including the value of all compensation paid in a medium other than money, proved and allowed to employees for services performed within three months preceding the appointment of the receiver.

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

4. REMAINDER TO MEMBERS. After payment of the expenses of receivership and claims of creditors are proved, the remaining assets, if any, may be distributed to the members or distributed under an approved liquidation plan.

Sec. 93. NEW SECTION. 501A.1209 RECEIVER QUALIFICATIONS AND POWERS.



1. QUALIFICATIONS. A receiver shall be a natural person or a domestic business entity or a foreign business entity authorized to transact business in this state. A receiver shall give a bond as directed by the court with the sureties required by the court.

2. POWERS. A receiver may sue and defend in all courts as receiver of the cooperative. The court appointing the receiver has exclusive jurisdiction of the cooperative and its property.

Sec. 94. NEW SECTION. 501A.1210 DISSOLUTION ACTION BY ATTORNEY GENERAL -- ADMINISTRATIVE DISSOLUTION.

1. CONDITIONS TO BEGIN ACTION. A cooperative may be dissolved involuntarily by a decree of a court in this state in an action filed by the attorney general if it is established that any of the following applies:

a. The articles and certificate of organization were procured through fraud.

b. The cooperative was organized for a purpose not permitted by this chapter or prohibited by state law.

c. The cooperative has flagrantly violated a provision of this chapter, has violated a provision of this chapter more than once, or has violated more than one provision of this chapter.

d. The cooperative has acted, or failed to act, in a manner that constitutes surrender or abandonment of the cooperative's franchise, privileges, or enterprise.

2. NOTICE TO COOPERATIVE. An action shall not be commenced under subsection 1 until thirty days after notice to the cooperative by the attorney general of the reason for the filing of the action. If the reason for filing the action is an act that the cooperative has done, or omitted to do, and the act or omission may be corrected by an amendment of the articles or bylaws or by performance of or abstention from the act, the attorney general shall give the cooperative thirty additional days to make the correction before filing the action.

Sec. 95. NEW SECTION. 501A.1211 FILING CLAIMS IN COURT-SUPERVISED DISSOLUTION PROCEEDINGS.

1. FILING UNDER OATH. In proceedings to dissolve a cooperative, the court may require all creditors and claimants of the cooperative to file their claims under oath with the clerk of court or with the receiver in a form prescribed by the court.

2. DATE TO FILE A CLAIM. If the court requires the filing of claims, the court shall do all of the following:

a. Set a date, by order, at least one hundred twenty days after the date the order is filed as the last day for the filing of claims.

b. Prescribe the notice of the fixed date that shall be given to creditors and claimants.

3. FIXED DATE OR EXTENSION FOR FILING. Before the fixed date, the court may extend the time for filing claims. Creditors and claimants failing to file claims on or before the fixed date may be barred, by order of court, from claiming an interest in or receiving payment out of the property or assets of the cooperative.

Sec. 96. NEW SECTION. 501A.1212 DISCONTINUANCE OF COURT-SUPERVISED DISSOLUTION PROCEEDINGS.

The involuntary or supervised voluntary dissolution of a cooperative may be discontinued at any time during the dissolution proceedings if it is established that cause for dissolution does not exist. The court shall dismiss the proceedings and direct the receiver, if any, to redeliver to the cooperative its remaining property and assets.

Sec. 97. NEW SECTION. 501A.1213 COURT-SUPERVISED DISSOLUTION ORDER.

1. CONDITIONS FOR DISSOLUTION ORDER. In an involuntary or supervised voluntary dissolution the court shall enter an order dissolving the cooperative upon the following conditions:

a. After the costs and expenses of the proceedings and all debts, obligations, and liabilities of the cooperative have



been paid or discharged and the remaining property and assets have been distributed to its members.

b. If the property or other assets are not sufficient to satisfy and discharge the costs, expenses, debts, obligations, and liabilities, when all the property and assets have been applied so far as they will go to their payment according to their priorities.

2. DISSOLUTION EFFECTIVE ON FILING ORDER. When the order dissolving the cooperative has been entered, the cooperative is dissolved.

Sec. 98. NEW SECTION. 501A.1214 FILING COURT'S DISSOLUTION ORDER.

After the court enters an order dissolving a cooperative, the clerk of court shall cause a certified copy of the dissolution order to be filed with the secretary. The secretary shall not charge a fee for filing the dissolution order.

Sec. 99. NEW SECTION. 501A.1215 BARRING OF CLAIMS.

1. CLAIMS BARRED. A person who is or becomes a creditor or claimant before, during, or following the conclusion of dissolution proceedings, who does not file a claim or pursue a remedy in a legal, administrative, or arbitration proceeding during the pendency of the dissolution proceeding or has not initiated a legal, administrative, or arbitration proceeding before the commencement of the dissolution proceedings and all those claiming through or under the creditor or claimant, are forever barred from suing on that claim or otherwise realizing upon or enforcing it, except as provided in this section.

2. CERTAIN UNFILED CLAIMS ALLOWED. Within one year after articles of dissolution have been filed with the secretary under this chapter or a dissolution order has been entered, a creditor or claimant who shows good cause for not having previously filed the claim may apply to a court in this state to allow a claim for any of the following:

a. Against the cooperative to the extent of undistributed assets.

b. If the undistributed assets are not sufficient to satisfy the claim, the claim may be allowed against a member to the extent of the distributions to members in dissolution received by the member.

3. OMITTED CLAIMS ALLOWED. Debts, obligations, and liabilities incurred during dissolution proceedings shall be paid or provided for by the cooperative before the distribution of assets to a member. A person to whom this kind of debt, obligation, or liability is owed but is not paid may pursue any remedy against the offenders, directors, or members of the cooperative before the expiration of the applicable statute of limitations. This subsection does not apply to dissolution under the supervision or order of a court.

Sec. 100. NEW SECTION. 501A.1216 RIGHT TO SUE OR DEFEND AFTER DISSOLUTION.

After a cooperative has been dissolved, any of its former officers, directors, or members may assert or defend, in the name of the cooperative, a claim by or against the cooperative.

DIVISION II

CONFORMING AND OTHER CHANGES

Sec. 101. Section 10B.1, subsection 2, Code 2005, is amended to read as follows:

2. "Cooperative association" means any entity organized on a cooperative basis, including an association of persons organized under chapter 497, 498, or 499; an entity composed of entities organized under those chapters; or a cooperative organized under chapter 501 or 501A.

Sec. 102. Section 10B.4, subsection 1, Code 2005, is amended to read as follows:

1. A biennial report shall be filed by a reporting entity with the secretary of state on or before March 31 of each odd-numbered year as required by rules adopted by the secretary of state pursuant to chapter 17A. However, a reporting entity required to file a biennial report pursuant to chapter 490,



496C, 497, 498, 490A, 499, 501, 501A, or 504A shall file the report required by this section in the same year as required by that chapter. The reporting entity may file the report required by this section together with the biennial report required to be filed by one of the other chapters referred to in this subsection. The reports shall be filed on forms prepared and supplied by the secretary of state. The secretary of state may provide for combining its reporting forms with other biennial reporting forms required to be used by the reporting entities.

Sec. 103. Section 15.333, subsection 1, Code 2005, is amended to read as follows:

1. An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is directly related to new jobs created by the location or expansion of an eligible business under the program. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. Subject to prior approval by the department of economic development in consultation with the department of revenue, an eligible business whose project primarily involves the production of value-added agricultural products may elect to receive a refund of all or a portion of an unused tax credit. For purposes of this section, an eligible business includes a cooperative described in section 521 of the Internal Revenue Code which is not required to file an Iowa corporate income tax return. The refund may be used against a tax liability imposed under chapter 422, division II, III, or V. If the business is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 or 501A and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the

partnership, S corporation, limited liability company, cooperative organized under chapter 501 or 501A and filing as a partnership for federal tax purposes, or estate or trust.

Sec. 104. Section 15.385, subsection 3, paragraph a, Code 2005, is amended to read as follows:

a. An eligible business may claim a tax credit equal to a percentage of the new investment directly related to new jobs created by the location or expansion of an eligible business under the program. The tax credit shall be allowed against taxes imposed under chapter 422, division II, III, or V. If the business is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, cooperative organized under chapter 501 or 501A, and filing as a partnership for federal tax purposes, or estate or trust. The percentage shall be equal to the amount provided in paragraph "d". Any tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first.

Subject to prior approval by the department of economic development, in consultation with the department of revenue, an eligible business whose project primarily involves the production of value-added agricultural products or uses biotechnology-related processes may elect to receive a refund of all or a portion of an unused tax credit. For purposes of this subsection, such an eligible business includes a cooperative described in section 521 of the Internal Revenue Code which is not required to file an Iowa corporate income tax return, and whose project primarily involves the production of ethanol. The refund may be applied against a



tax liability imposed under chapter 422, division II, III, or V. If the business is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 or 501A, and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust.

Sec. 105. Section 15E.202, subsection 17, paragraph b, Code 2005, is amended to read as follows:

b. A cooperative organized under chapter 501 or 501A.

Sec. 106. Section 203.1, subsection 10, paragraph i, Code 2005, is amended to read as follows:

i. A cooperative organized under chapter 501 or 501A, if the cooperative only purchases grain from its members who are producers or from a licensed grain dealer, and the cooperative does not resell that grain.

Sec. 107. Section 490A.102, subsection 4, Code 2005, is amended to read as follows:

4. "Constituent entity" means each limited liability company, limited partnership, ~~or~~ corporation, or domestic cooperative which is party to a plan of merger pursuant to subchapter XII.

Sec. 108. Section 490A.102, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 7A. "Domestic cooperative" means a cooperative organized under chapter 497, 498, 499, 501, or 501A.

Sec. 109. NEW SECTION. 490A.131 BIENNIAL REPORT FOR SECRETARY OF STATE.

1. A limited liability company or a foreign limited liability company authorized to transact business in this state shall deliver to the secretary of state for filing a biennial report that states all of the following:

a. The name of the limited liability company or foreign limited liability company.

b. The street and mailing address of its designated office and the name and street and mailing address of its agent for service of process in this state.

c. The street and mailing address of its principal office.

d. In the case of a foreign limited liability company, the state or other jurisdiction under whose law the foreign limited liability company is formed.

2. Information in a biennial report must be current as of the date the biennial report is delivered to the secretary of state for filing.

3. If a biennial report does not contain the information required in subsection 1, the secretary of state shall promptly notify the reporting limited liability company or foreign limited liability company and return the report to it for correction. If the report is corrected to contain the information required in subsection 1 and delivered to the secretary of state within thirty days after the effective date of the notice, it is timely delivered.

4. If a filed biennial report contains an address of a designated office or the name or address of an agent for service of process which differs from the information shown in the records of the secretary of state immediately before the filing, the differing information in the biennial report is considered a statement of change under section 490A.502.

5. The first biennial report shall be delivered to the secretary of state between January 1 and April 1 of the first odd-numbered year following the calendar year in which a limited liability company was formed or a foreign limited liability company was authorized to transact business. Subsequent biennial reports must be delivered to the secretary of state between January 1 and April 1 of the following odd-numbered calendar years. A filing fee for the biennial report shall be determined by the secretary of state. For purposes of this section, each biennial report shall contain



information related to the two-year period immediately preceding the calendar year in which the report is filed.

Sec. 110. Section 490A.1201, Code 2005, is amended by striking the section and inserting in lieu thereof the following:

490A.1201 CONSTITUENT ENTITY.

As used in this section, unless the context otherwise requires, "constituent entity", as used in sections 490A.1202, 490A.1204, 490A.1205, and 490A.1207, includes a domestic cooperative. However, as used in section 490A.1203, "constituent entity" does not include a domestic cooperative.

Sec. 111. NEW SECTION. 490A.1201A MERGER.

With or without a business purpose, a limited liability company may merge with any of the following:

1. Another domestic limited liability company pursuant to a plan of merger approved in the manner provided in sections 490A.1202 through 490A.1205.

2. A domestic corporation under a plan of merger approved in the manner provided in sections 490A.1202 through 490A.1205, and in chapter 490.

3. A domestic limited partnership pursuant to a plan of merger approved in the manner provided in sections 490A.1202 through 490A.1207, and in chapter 487.

4. One or more cooperatives organized under chapter 497, 498, 499, 501, or 501A, in the manner provided by and subject to the limitations in section 490A.1207.

5. A foreign corporation, foreign limited liability company, or foreign limited partnership pursuant to a plan of merger approved in the manner provided in section 490A.1206.

Sec. 112. Section 490A.1202, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 0A. As used in this section, "interests" includes but is not limited to membership interests in a domestic cooperative.

Sec. 113. NEW SECTION. 490A.1207 MERGER OF DOMESTIC COOPERATIVE INTO A DOMESTIC LIMITED LIABILITY COMPANY.

1. A limited liability company may merge with a domestic cooperative only as provided by this section. A limited liability company may merge with one or more domestic cooperatives if all of the following apply:

a. Only one limited liability company and one or more domestic cooperatives are parties to the merger.

b. When the merger becomes effective, the separate existence of each domestic cooperative ceases and the limited liability company is the surviving entity per organization.

c. As to each domestic cooperative, the plan of merger is initiated and adopted, and the merger is effectuated, as provided in section 501A.1101.

d. As to the limited liability company, the plan of merger complies with section 490A.1202, the plan of merger is approved as provided in section 490A.1203, and the articles of merger are prepared, signed, and filed as provided in section 490A.1204.

e. Notwithstanding section 490A.1202, 490A.1205, or 490A.1206, the surviving organization must be the limited liability company.

2. Section 501A.1103 governs the abandonment by a domestic cooperative of a merger authorized by this section. Section 490A.1203, subsection 2, governs the abandonment by a limited liability company of a merger authorized by this section, except that for the purposes of a merger authorized by this section, the requirements stated in section 490A.1203, subsection 2, paragraphs "b" and "c", do not apply and instead the abandonment must have been approved by the domestic cooperative.

Sec. 114. Section 499.4, unnumbered paragraph 1, Code 2005, is amended to read as follows:

~~No~~ A person ~~or firm, and no~~ including a corporation hereafter organized, which is not an association as defined in this chapter or a cooperative as defined in chapter 501 or 501A, shall not use the word "cooperative" or any abbreviation thereof in its name or advertising or in any connection with



its business, except foreign associations admitted under section 499.54. The attorney general or any association or any member thereof may sue and enjoin such use.

Sec. 115. Section 502.102, subsection 20, Code 2005, is amended to read as follows:

20. "Person" means an individual; corporation; business trust; estate; trust; partnership; limited liability company; association; cooperative; joint venture; government; governmental subdivision, agency, or instrumentality; public corporation; or any other legal or commercial entity.

Sec. 116. Section 556.1, subsection 3, Code 2005, is amended to read as follows:

3. "Cooperative association" means ~~an~~ any of the following:

a. An entity which is structured and operated on a cooperative basis, including an association of persons organized under chapter 497, 498, or 499; or an entity composed of entities organized under those chapters~~;~~ ~~a~~.

b. A cooperative organized under chapter 501~~;~~.

c. A cooperative organized under chapter 501A.

d. ~~a~~ A cooperative association organized under chapter 490~~; or any~~.

e. Any other entity recognized pursuant to 26 U.S.C. § 1381(a) which meets the definitional requirements of an association as provided in 12 U.S.C. § 1141(j)(a) or 7 U.S.C. § 291.

Sec. 117. Section 556.5, subsection 4, paragraph b, Code 2005, is amended to read as follows:

b. A disbursement held by a cooperative association shall not be deemed abandoned under this chapter if the disbursement is retained by a cooperative association organized under chapter 490 as provided in section 490.629, ~~or~~ by a cooperative association organized under chapter 499 as provided in section 499.30A, or by a cooperative as provided in section 501A.1008.

Sec. 118. Section 501A.102, as enacted in this Act, is amended by striking from the section the word and figure "or 487".

Sec. 119. EFFECTIVE DATES. This Act takes effect July 1, 2005, except that section 118 of this Act takes effect January 1, 2006.

CHRISTOPHER C. RANTS
Speaker of the House

JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 859, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved 5/20, 2005

THOMAS J. VILSACK
Governor