

COMMERCE AND REGULATION

HOUSE FILE \_\_\_\_\_ <sup>100 by</sup> 111 286

BY (PROPOSED COMMITTEE ON  
COMMERCE and REGULATION  
BILL BY CHAIRPERSON HANSEN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act permitting cooperative associations to deal with  
2 nonmembers, to use fictitious names, and to issue memberships  
3 without charge; to permit electric cooperatives to have  
4 multiple classes of members; and providing an effective date.

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

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David Johnson - chair  
Clarene Hoffmann -  
Quirk -

1 Section 1. Section 499.3, Code 2001, is amended to read as  
2 follows:

3 499.3 DEALING WITH NONMEMBERS.

4 A nonstock livestock shipping association shall not handle  
5 livestock of any nonmembers.

6 Any association may restrict the amount of business done  
7 with nonmembers and may limit its dealings or any class  
8 thereof to members only.

9 ~~No-association-shall,-during-any-year,-deal-or-function~~  
10 ~~with-or-for-nonmembers-to-an-extent-exceeding-one-half-of-the~~  
11 ~~value-of-business-done.--This-provision-shall-not-apply-to-its~~  
12 ~~sales-or-services-to-municipal-or-governmental-bodies,-nor-to~~  
13 ~~agricultural-associations+-purchases-from-or-sales-to~~  
14 ~~corporate-landowners-who-are-not-primarily-engaged-in-the~~  
15 ~~business-of-farming-~~

16 Sec. 2. Section 499.4, Code 2001, is amended by adding the  
17 following new unnumbered paragraph:

18 NEW UNNUMBERED PARAGRAPH. This chapter does not control  
19 the use of fictitious names; however, if a cooperative  
20 association or a foreign cooperative association uses a  
21 fictitious name in this state, it shall deliver to the  
22 secretary of state for filing a copy of the resolution of its  
23 board of directors, certified by its secretary, adopting the  
24 fictitious name.

25 Sec. 3. Section 499.14, Code 2001, is amended to read as  
26 follows:

27 499.14 MEMBERSHIP IN NONSTOCK ASSOCIATIONS.

28 Membership in associations without capital stock may be  
29 acquired by eligible parties in the manner provided in the  
30 articles, which shall specify the rights of members, the  
31 issuing price of memberships, if any, and what, if any, fixed  
32 dividends accrue thereon. If the articles so provide,  
33 membership shall be of two classes, voting and nonvoting.  
34 Voting members shall be agricultural producers, and all other  
35 members shall be nonvoting members. Nonvoting members shall

1 have all the rights of membership except the right to vote.

2 Sec. 4. Section 499.14A, Code 2001, is amended to read as  
3 follows:

4 499.14A ELECTRIC COOPERATIVE ASSOCIATION MEMBERSHIPS.

5 An electric generation-and-transmission cooperative  
6 association may have one or more classes of members.

7 Qualifications, requirements, methods of acceptance, terms,  
8 conditions, termination, and other incidents of membership  
9 shall be set forth in the bylaws of the association. An  
10 ~~electric-utility-as-defined-in-section-476.22-and-a-person-who~~  
11 ~~generates-or-transmits-electric-power-for-sale-at-wholesale-to~~  
12 ~~an-electric-utility-may-become-a-member-in-accordance-with-the~~  
13 ~~bylaws.~~

14 Sec. 5. Section 499.16, Code 2001, is amended to read as  
15 follows:

16 499.16 SUBSCRIPTIONS -- ISSUING CERTIFICATES.

17 If permitted by the association's articles of  
18 incorporation, any eligible subscriber for common stock or  
19 membership may vote and be treated as a member, after making  
20 part payment of the amount, if any, required to be paid for  
21 the common stock or membership in cash, giving the  
22 subscriber's note for the balance, and satisfying any other  
23 requirement for the subscription as set forth in the articles.  
24 A subscription may be forfeited as provided in section 499.32.  
25 Stock or a membership certificate shall not be issued until  
26 payment of the amount, if any, required to be paid for the  
27 stock or membership certificate is fully made. A subscriber  
28 shall not hold office until the subscriber's certificate has  
29 been issued.

30 Sec. 6. EFFECTIVE DATE. This Act, being deemed of  
31 immediate importance, takes effect upon enactment.

32 EXPLANATION

33 This bill amends a number of provisions in Code chapter 499  
34 providing for cooperative associations. The bill amends the  
35 following sections:

1 Code section 499.3, which provides for dealing with  
2 nonmembers. The bill eliminates a provision limiting the  
3 amount of business that an association may do with a  
4 nonmember, but provides that the association may elect to  
5 limit its business dealings with nonmembers.

6 Code section 499.4, which provides for the use of the term  
7 "cooperative". The bill provides that the chapter does not  
8 control the use of fictitious names, but requires a  
9 cooperative association to file a copy of the resolution  
10 adopting the fictitious name with the secretary of state. The  
11 language is based on similar provisions governing names for  
12 partnerships (Code section 487.102), corporations (Code  
13 section 490.401), limited liability companies (Code section  
14 490A.401), and nonprofit corporations (Code section 504A.6).

15 Code section 499.14, which provides for membership in  
16 nonstock associations. The bill provides that a cooperative  
17 association is not required to charge an issuing price for  
18 such memberships.

19 Code section 499.16, which provides for subscriptions for  
20 common stock or membership in a cooperative association and  
21 subscribers' rights. The bill provides that an association is  
22 not required to charge for common stock or membership.

23 The bill takes effect upon enactment.

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Substitutes for SF 103  
3-7-01  
(P. 564)

FEB 15 2001  
Place On Calendar

HOUSE FILE 286  
BY COMMITTEE ON COMMERCE  
AND REGULATION

(SUCCESSOR TO HSB 15)

Passed House, Date <sup>(P. 502)</sup> 2/27/01 Passed Senate, <sup>(P. 564)</sup> Date 3-7-01  
Vote: Ayes 99 Nays 0 Vote: Ayes 50 Nays 0  
Approved March 14, 2001

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HF 286

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18 NEW UNNUMBERED PARAGRAPH. This chapter does not control  
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22 secretary of state for filing a copy of the resolution of its  
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31 issuing price of memberships, if any, and what, if any, fixed  
32 dividends accrue thereon. If the articles so provide,  
33 membership shall be of two classes, voting and nonvoting.  
34 Voting members shall be agricultural producers, and all other  
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1 have all the rights of membership except the right to vote.

2 Sec. 4. Section 499.14A, Code 2001, is amended to read as  
3 follows:

4 499.14A ELECTRIC COOPERATIVE ASSOCIATION MEMBERSHIPS.

5 An electric ~~generation-and-transmission~~ cooperative  
6 association may have one or more classes of members.

7 Qualifications, requirements, methods of acceptance, terms,  
8 conditions, termination, and other incidents of membership  
9 shall be set forth in the ~~bylaws~~ articles of incorporation of  
10 the association. ~~An electric utility as defined in section~~  
11 ~~476.22 and a person who generates or transmits electric power~~  
12 ~~for sale at wholesale to an electric utility may become a~~  
13 ~~member in accordance with the bylaws.~~

14 Sec. 5. Section 499.16, Code 2001, is amended to read as  
15 follows:

16 499.16 SUBSCRIPTIONS -- ISSUING CERTIFICATES.

17 If permitted by the association's articles of  
18 incorporation, any eligible subscriber for common stock or  
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HOUSE FILE 286

AN ACT

PERMITTING COOPERATIVE ASSOCIATIONS TO DEAL WITH NONMEMBERS, TO USE FICTITIOUS NAMES, AND TO ISSUE MEMBERSHIPS WITHOUT CHARGE; TO PERMIT ELECTRIC COOPERATIVES TO HAVE MULTIPLE CLASSES OF MEMBERS; AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Section 499.3, Code 2001, is amended to read as follows:

499.3 DEALING WITH NONMEMBERS.

A nonstock livestock shipping association shall not handle livestock of any nonmembers.

Any association may restrict the amount of business done with nonmembers and may limit its dealings or any class thereof to members only.

~~No association shall, during any year, deal or function with or for nonmembers to an extent exceeding one-half of the value of business done. -- This provision shall not apply to its sales or services to municipal or governmental bodies; nor to agricultural associations; purchases from or sales to corporate landowners who are not primarily engaged in the business of farming.~~

Sec. 2. Section 499.4, Code 2001, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. This chapter does not control the use of fictitious names; however, if a cooperative association or a foreign cooperative association uses a fictitious name in this state, it shall deliver to the secretary of state for filing a copy of the resolution of its board of directors, certified by its secretary, adopting the fictitious name.

Sec. 3. Section 499.14, Code 2001, is amended to read as follows:

499.14 MEMBERSHIP IN NONSTOCK ASSOCIATIONS.

Membership in associations without capital stock may be acquired by eligible parties in the manner provided in the articles, which shall specify the rights of members, the issuing price of memberships, if any, and what, if any, fixed dividends accrue thereon. If the articles so provide, membership shall be of two classes, voting and nonvoting. Voting members shall be agricultural producers, and all other members shall be nonvoting members. Nonvoting members shall have all the rights of membership except the right to vote.

Sec. 4. Section 499.14A, Code 2001, is amended to read as follows:

499.14A ELECTRIC COOPERATIVE ASSOCIATION MEMBERSHIPS.

An electric generation-and-transmission cooperative association may have one or more classes of members. Qualifications, requirements, methods of acceptance, terms, conditions, termination, and other incidents of membership shall be set forth in the bylaws articles of incorporation of the association. ~~An electric utility as defined in section 476.22 and a person who generates or transmits electric power for sale at wholesale to an electric utility may become a member in accordance with the bylaws.~~

Sec. 5. Section 499.16, Code 2001, is amended to read as follows:

499.16 SUBSCRIPTIONS -- ISSUING CERTIFICATES.

If permitted by the association's articles of incorporation, any eligible subscriber for common stock or membership may vote and be treated as a member, after making part payment of the amount, if any, required to be paid for the common stock or membership in cash, giving the subscriber's note for the balance, and satisfying any other requirement for the subscription as set forth in the articles. A subscription may be forfeited as provided in section 499.32.

Stock or a membership certificate shall not be issued until payment of the amount, if any, required to be paid for the stock or membership certificate is fully made. A subscriber shall not hold office until the subscriber's certificate has been issued.

Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

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BRENT SIEGRIST  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 286, Seventy-ninth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved March 14, 2001

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THOMAS J. VILSACK  
Governor