

**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.

2005 Acts, ch 135, §51