# CHAPTER 498

## NONPROFIT COOPERATIVE ASSOCIATIONS

Referred to in §10B.1, 10B.4, 10B.7, 489.102, 490.1801, 499.43A, 499.60, 499.71, 501.104, 501.601, 501A.102, 501A.1104, 502.102, 502.201, 547.1, 552A.2, 556.1, 558.72, 669.14

Applicable only to associations originally chartered before July 4, 1935; see chapter 499
Permissible organization under later law; §499.43A
Merger or consolidation with other entities; §499.71, 501A.1101 – 501A.1104
Option to come under chapter 501; §501.601
Option to come under chapter 501A; §501A.1104


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### 498.1 Nature.

Associations organized under the provisions of this chapter are declared to be not for pecuniary profit.

[C27, 31, 35, §8485-b1; C39, §**8485.1;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.1]

### 498.2 Purposes of cooperative — limitation.

Any number of persons, not less than five, may associate themselves as a cooperative association, without capital stock, for the purpose of conducting any agricultural, livestock, horticultural, dairy, ethanol production, mercantile, mining, manufacturing, or mechanical business, or the constructing and operating of telephone and high tension electric transmission lines on the cooperative plan and of acting as a cooperative selling agency. Cooperative livestock shipping associations organized under this chapter shall do business with members only.

[C24, 27, 31, 35, 39, §**8486;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.2]

92 Acts, ch 1099, §8
Referred to in §502.102

### 498.3 Terms defined — products of nonmembers.

For the purpose of this chapter, the words “*association*”, “*exchange*”, “*society*”, or “*union*”, shall be construed to mean the same and are defined to mean a corporate body composed of actual producers or consumers of the given commodity handled by the association, whose business is conducted for the mutual benefit of its members and not for the profit of stockholders, and control of which is vested in its members upon the basis of one vote

to each member. Associations shall not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members.

[C24, 27, 31, 35, 39, §**8487;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.3]

**498.4 Articles — personal liability.**

They shall sign and acknowledge written articles, which shall contain the name of the association and the names and residences of the incorporators. Such articles shall also contain a statement of the purposes of the association, the amount of the membership fee, and shall designate the city or village where its principal place of business shall be located, and the manner in which such articles may be amended, and any limitation which the members propose to place upon their personal liability for the debts of the association.

[C24, 27, 31, 35, 39, §**8488;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.4]

**498.5 Filing — certificate of incorporation.**

The original articles of incorporation shall be filed for record with the secretary of state. Upon approval of such articles, the secretary of state shall issue a certificate of incorporation.

[C24, 27, 31, 35, 39, §**8489;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.5]

**498.6 Fees.**

For filing the articles of incorporation of associations organized under this chapter, there shall be paid to the secretary of state five dollars, and for the filing of an amendment to such articles, two dollars. In all cases there shall be paid a recording fee of fifty cents per page.

[C24, 27, 31, 35, 39, §**8490;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.6]

**498.7 Amendments.**

Within thirty days after the adoption of any amendment to its articles of incorporation, the association shall cause a copy of such amendment to be recorded in the office of the secretary of state.

[C24, 27, 31, 35, 39, §**8491;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.7]

**498.8 Board of directors — removals.**

Every such association shall be managed by a board of not less than five directors, who shall be elected by and from the members at such time and for such term of office as the articles may prescribe. They shall hold office until their successors are elected and qualify; but a majority of the members shall have the power at any regular or special meeting of the association legally called, to remove any director or officer for cause, and fill the vacancy.

[C24, 27, 31, 35, 39, §**8492;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.8]

**498.9 Officers.**

The officers of every such association shall be a president, one or more vice presidents, a secretary, and treasurer, who shall be elected annually by the directors, from amongst their own number. The offices of secretary and treasurer may be held by the same person.

[C24, 27, 31, 35, 39, §**8493;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.9]

**498.10 Admission of members.**

Under the terms and conditions prescribed in its bylaws, an association may admit as members persons engaged in the production of the products, or in the use or consumption of the supplies, to be handled by or through the association, including the lessors and landlords of lands used for the production of such products, who receive as rent part of the crop raised on the leased premises.

[C24, 27, 31, 35, 39, §**8494;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.10]

**498.11 Membership certificates.**

Membership certificates in due form shall be issued to all charter members and to such others as shall subsequently be admitted by the association in accordance with its articles and bylaws.

[C24, 27, 31, 35, 39, §**8495;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.11]

**498.12 Certificates nontransferable — surrender.**

No such certificate shall be transferable by the member to any other person, but shall be surrendered to the association in case of the member's voluntary withdrawal.

[C24, 27, 31, 35, 39, §**8496;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.12]
Referred to in §498.14

**498.13 Automatic cancellation — revocation.**

It shall become void upon the member's death, or may be revoked by the directors upon proof duly made that the member has ceased to be a producer of products handled by or through the association, in the case of producing or selling associations or has ceased to be the user of products handled by or through the association in case of stores and supply associations, or for failure to observe its bylaws or the member's contractual obligations to it.

[C24, 27, 31, 35, 39, §**8497;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.13]
Referred to in §498.14

**498.14 Conditions printed on certificates.**

The conditions of membership specified in sections 498.12 and 498.13 shall be printed upon the face of every membership certificate.

[C24, 27, 31, 35, 39, §**8498;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.14]

**498.15 Combinations of local associations.**

Likewise, associations may be formed under this chapter whose membership shall consist of other associations formed under the provisions of this chapter, the purpose being to federate local associations into central cooperative associations for the more economical and efficient performance of their marketing or other operations.

[C24, 27, 31, 35, 39, §**8499;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.15]

**498.16 Powers of central associations.**

Such central associations may enter into contracts, agreements and arrangements with their member associations. Each member association in such federated associations shall have an official representative chosen by its own board of directors, who shall cast one vote and no more at all business meetings of the federated association.

[C24, 27, 31, 35, 39, §**8500;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.16]

**498.17 Voting power.**

Each member of an association shall be entitled to one vote and no more upon all questions affecting the control and management of the affairs of the association and in the selection of its board of directors.

[C24, 27, 31, 35, 39, §**8501;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.17]

**498.18 Proxies — voting by mail.**

No vote by proxy shall be permitted, but a written vote received by mail from any absent member, and signed by that member, may be read and counted at any regular or special meeting of the association, provided that the secretary shall notify all members in writing of the exact motion or resolution upon which such vote is to be taken, and a copy of same shall be forwarded with and attached to the vote so mailed by the member.

[C24, 27, 31, 35, 39, §**8502;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.18]

**498.19 Power to compel sales and purchases — liquidated damages.**

1. The association may require members to sell all or a stipulated part of their specifically enumerated products exclusively through the association or to buy specifically enumerated

supplies exclusively through the association, but in such case, a reasonable period during each year shall be specified during which any member, by giving notice in prescribed form, may be released from such obligation thereafter. Where it is desired to enter into the exclusive arrangement provided in this section, the association shall execute a contract with each such member setting forth what goods or wares are to be handled and upon what terms. In order to protect itself in the necessary outlay, which it may make for the maintenance of its services, the association may stipulate that some regular charge shall be paid by the member for each unit of goods covered by such contract whether actually handled by the association or not, and in order to reimburse the association for any loss or damage which it or its members may sustain through the member's failure to deliver the member's products to or to procure the member's supplies from the association.

2. In case it is difficult or impracticable to determine the actual amount of damage suffered by the association or its members through such failure to comply with the terms of such a contract, the association and the member may agree upon a sum to be paid as liquidated damages for the breach of the member's contract, said amount to be stated in the contract.

[C24, 27, 31, 35, 39, §**8503;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.19]
2021 Acts, ch 76, §150

**498.20 Financial power.**

Every association may borrow money necessary for the conduct of its business, and may issue notes, bonds, or debentures therefor, and may give security in the form of mortgage or otherwise for the repayment thereof.

[C24, 27, 31, 35, 39, §**8504;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.20]

**498.21 Personal liability.**

Members of such association may limit their personal liability to the amount of their membership fee as provided in their articles of incorporation.

[C24, 27, 31, 35, 39, §**8505;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.21]

**498.22 Cost of service — dues.**

Associations formed under this chapter shall perform services on a basis of the lowest practicable cost, and may provide for meeting the cost thereof through dues, assessments, or service charges, which shall be prescribed in the bylaws. Such charges shall be set high enough to provide a margin of safety above current operating costs and fixed charges upon borrowed capital.

[C24, 27, 31, 35, 39, §**8506;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.22]

**498.23 Reserve and educational funds — patronage dividends.**

Out of any surplus remaining in any given year, the directors shall each year set aside not less than ten percent of such savings for the accumulation of a reserve fund until such reserve shall equal at least forty percent of the invested capital of the association, not less than one percent nor more than five percent for a permanent educational fund from which expenditures shall be made annually at the discretion of the directors for the purpose of teaching cooperation, and the remainder to be returned to the members as a patronage dividend prorated on a uniform basis to each member upon the value of business done by that member through the association.

[C24, 27, 31, 35, 39, §**8507;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.23]

**498.24 Biennial report — penalty.**

1. Section 504.1613 applies to a cooperative association organized under this chapter in the same manner as that section applies to a corporation organized under chapter 504. In addition to the information required to be set forth in the biennial report under section 504.1613, the cooperative association shall also set forth the total amount of business transacted, number of members, total expense of operation, total amount of indebtedness, and total profits or losses for each calendar or fiscal year of the two-year period which ended immediately preceding the first day of January of the year in which the report is filed.

2. A cooperative association which fails to comply with this section before April 1 of the year in which the report is due is subject to a penalty of ten dollars.

[C24, 27, 31, 35, 39, §**8508;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.24]
97 Acts, ch 171, §28; 2004 Acts, ch 1049, §185, 191, 192; 2021 Acts, ch 76, §150
Referred to in §498.25, 498.27

**498.25 Exemption from report.**

Any corporation organized under the provisions of this chapter after the first day of January shall be exempt from the provisions of section 498.24 for the year in which incorporated, after which it shall, however, be subject to all of the provisions of said section.

[C27, 31, 35, §8508-a1; C39, §**8508.1;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.25]

**498.26 List of delinquents.**

In the month of April of each year the secretary of state shall prepare a list of all delinquent corporations and file the same in the secretary of state's office.

[C27, 31, 35, §8508-a2; C39, §**8508.2;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.26]

**498.27 Notice to delinquents.**

On or before the first day of May of the year the report is due the secretary of state shall mail to each delinquent association a notice of such delinquency and of the penalties provided in section 498.24.

[C27, 31, 35, §8508-a3; C39, §**8508.3;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.27]
97 Acts, ch 171, §29

**498.28 Cancellation.**

If the biennial report required is not filed and penalties paid on or before the last day of June the secretary of state shall, on the first day of July following, cancel the name of any delinquent corporation from the list of live corporations in the secretary of state's office, and enter such cancellation on the proper records.

[C27, 31, 35, §8508-a4; C39, §**8508.4;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.28]
2000 Acts, ch 1022, §7

**498.29 Effect of cancellation.**

When so canceled the corporate rights of any such corporation shall be forfeited and its corporate period terminated on the date such cancellation shall have been entered on the records of the secretary of state's office.

[C27, 31, 35, §8508-a5; C39, §**8508.5;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.29]

**498.30 Reinstatement of corporation.**

Any corporation whose corporate rights have been canceled and forfeited in the manner provided herein may, however, before September 1 following such cancellation, make application to the secretary of state for reinstatement and upon being furnished good and sufficient reasons for not having filed its report the secretary shall, upon the filing of such report and the payment of the penalty, reinstate said corporation and the decree of cancellation shall be annulled and the corporation shall be entitled to continue to act as a corporation for the unexpired portion of its corporate period as fixed by its articles of incorporation and the limitations prescribed by law.

[C27, 31, 35, §8508-a6; C39, §**8508.6;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.30]

**498.31 Chapter extended to former associations.**

All corporations, or associations heretofore organized and doing business under prior statutes, or which have attempted so to organize and do business cooperatively, shall have the benefit of all the provisions of this chapter and be bound thereby, on filing with the secretary of state amended and substituted articles of incorporation drawn in accordance with the provisions of this chapter and a written declaration signed and sworn to by the president and secretary, to the effect that said company or association has, by a majority

vote of its stockholders, decided to accept the benefits of and to be bound by the provisions of this chapter.

[C24, 27, 31, 35, 39, §**8509;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.31]

**498.32 Use of term "cooperative" — injunction.**

No corporation or association hereafter organized shall be entitled to use the term "cooperative" as part of its corporate or other business name or title, unless it has complied with the provisions of this chapter or of chapter 497, and any corporation or association violating the provisions of this chapter may be enjoined from doing business under such name at the instance of any stockholder of any association legally organized under the provisions of this chapter.

[C24, 27, 31, 35, 39, §**8510;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.32]

**498.33 Use of funds — promotion expenses.**

None of the funds of any association shall be used for purposes of any promotion as commissions, salaries, or expenses of any kind, character, or nature whatsoever, except that in the case of associations operating in more than one county, if the par value of securities to be sold is in excess of one hundred thousand dollars, a sum not to exceed five percent of the par value of bonds or debentures sold may be used by committees elected by the members for selling or soliciting for the sale of such securities or for hiring responsible salaried solicitors for that purpose.

[C24, 27, 31, 35, 39, §**8511;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.33]

**498.34 Duration of incorporation — renewal.**

Associations formed under the provisions of this chapter shall continue for a period of twenty-five years, unless earlier dissolved by order of its members or by other processes as by law provided, and the term of its existence may be renewed by the filing of new articles of association, as by law provided.

[C24, 27, 31, 35, 39, §**8512;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §498.34]

**498.35 Personal liability.**

Except as otherwise provided in this chapter, a director, officer, employee, or member of the association is not liable on the association'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 on the association or its members, or an intentional violation of criminal law.

87 Acts, ch 212, §7; 2003 Acts, ch 66, §12

**498.36 Indemnification.**

A cooperative association operating under this chapter may indemnify any present or former director, officer, employee, member, or volunteer in the manner and in the instances authorized in sections 490.850 through 490.859, provided that where sections 490.850 through 490.859 provide for action by shareholders the sections are applicable to action by voting members of the cooperative association, and where sections 490.850 through 490.859 refer to the corporation organized under chapter 490 the sections are applicable to the cooperative association organized under this chapter, and where sections 490.850 through 490.859 refer to the director the sections are applicable to a director, officer, employee, member, or volunteer of the cooperative association organized under this chapter.

88 Acts, ch 1170, §7; 94 Acts, ch 1023, §63; 2002 Acts, ch 1154, §105, 125

**498.37 Statement to estate of stockholder.**

1. The board of directors, upon receiving actual notice of a member's death, shall provide a statement to the administrator or executor of the member's estate, or to the attorney

representing the member's estate. The statement shall describe agricultural products owned by the member which are in the possession of the association.

2. This section shall not require an association to conduct a search of the status of its members. The association shall exercise reasonable diligence in determining to whom the statement must be delivered. The statement shall be delivered to the administrator, executor, or attorney, within thirty days following a determination as to whom the statement must be delivered. A statement is not required to be prepared or delivered, if the association is not notified of the member's death within one year after the date of death, or by the date that the member's estate is closed, whichever is later.

91 Acts, ch 230, §2; 2021 Acts, ch 76, §150