

# HOUSE BILL REPORT

## SSB 6492

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As Reported By House Committee On:  
Agriculture & Rural Development

**Title:** An act relating to agricultural associations.

**Brief Description:** Regulating agricultural associations.

**Sponsors:** Senate Committee on Agriculture (originally sponsored by Senators M. Rasmussen and Newhouse).

**Brief History:**

Reported by House Committee on:  
Agriculture & Rural Development, February 23, 1994, DP.

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### HOUSE COMMITTEE ON AGRICULTURE & RURAL DEVELOPMENT

**Majority Report:** Do pass. Signed by 9 members:  
Representatives Rayburn, Chair; Kremen, Vice Chair;  
Chandler, Ranking Minority Member; Schoesler, Assistant  
Ranking Minority Member; Chappell; Grant; Karahalios;  
McMorris and Roland.

**Staff:** Kenneth Hirst (786-7105).

**Background:** Washington law allows for the creation of cooperative associations, commonly referred to as "co-ops." The law specifies the rights of a co-op member should the association take any of the following actions: enter into a merger or consolidation agreement; convert into an ordinary business corporation; or, outside the ordinary course of business, provide for the sale or exchange of all or substantially all of its property and assets. Generally, under any of these circumstances, a member may "dissent" from the association's action.

With one exception, the co-op law provides that a dissenter's rights be the same as the rights of a dissenting shareholder in a business corporation that engages in a similar action. Generally, a dissenting shareholder of a business corporation that engages in a similar action is entitled to payment for the fair market value of his or her shares; and the payment, plus accrued interest, must be made within 30 days of the later: of the date of the action, or the date the shareholder demands payment. The one exception is that, if a co-op's articles of incorporation so provide, the co-op may pay a dissenting member less than the fair

market value so long as the payment is not less than the amount the member paid for his or her equity interest in the co-op.

**Summary of Bill:** Generally, the rights of a dissenting member in an agricultural co-op are changed as follows: A dissenting member would be entitled to payment for the member's equity interest within the time period that applies for payment to members who terminate their membership in the association. This time period would be set in the association's articles of incorporation, bylaws or by board policy. Thus, the 30-day rule for payment to the member would no longer apply. Absent provisions to the contrary in the association's articles, bylaws or board's policies, no accrued interest would need to be paid to the dissenting member. These changes do not apply, for a period of three years, to co-ops involved in actions begun before the effective date of the bill.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (1) The monies needed to keep a co-op vital should remain with the co-op. The 30-day payment period required by current law for dissenters allows dissenters to stop mergers, even those necessary to permit this state's smaller co-ops to compete with larger out-of-state enterprises. If a dissenter slows down a merger, the slow-down can cause the pre-merger equity of the co-ops proposing the merger to dwindle. (2) Originally co-ops were designed such that members joined them until retirement or termination. This bill returns the co-op law to this principle by requiring a dissenter to wait until his or her year of rotation for termination to receive such payments.

**Testimony Against:** None.

**Witnesses:** In favor: Senator Rasmussen, prime sponsor; Dan Coyne and Don Franklin, Washington State Council of Farmer Cooperatives; and Stanley Tate, Darigold.