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## Judiciary Committee

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### SSB 6338

**Title:** An act relating to the rights of dissenting members of cooperative associations in certain mergers.

**Brief Description:** Addressing the rights of dissenting members of cooperative associations in certain mergers.

**Sponsors:** Senate Committee on Law & Justice (originally sponsored by Senators Padden, Billig and Baumgartner).

<p style="text-align: center;"><b>Brief Summary of Substitute Bill</b></p> <ul style="list-style-type: none"><li>• Provides that a member of a rural electric association is not entitled to dissent from a merger to which the association is a party if all members of the association have the right to continue their membership status in the surviving association on substantially similar terms.</li></ul>
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**Hearing Date:** 2/24/16

**Staff:** Edie Adams (786-7180).

**Background:**

Washington law allows any number of people to join together for the creation of a cooperative association. A cooperative association may be formed to advance any lawful business, including any agriculture, dairy, mercantile, mining, manufacturing, or mechanical business. Cooperative associations are formed by the filing of articles of incorporation with the Office of the Secretary of State. They consist of the members of the cooperative association and are governed by a board of directors and officers.

A member of a cooperative association has the right to dissent from any of the following actions taken by the cooperative association: entering into a plan of merger or consolidation agreement;

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converting into an ordinary business corporation; or providing for the sale or exchange of all or substantially all of its property and assets outside the ordinary course of business.

With limited exceptions, a dissenting member in a cooperative association has the same dissenter's rights 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 is entitled to payment of the fair value of his or her shares. 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.

One exception allows a cooperative association, if authorized in the articles of incorporation, to pay a dissenting member less than the fair value of the member's equity interest as long as the payment is not less than the amount the member paid for his or her equity interest. Another exception applicable to agricultural associations allows for a different time period for payment of the value of the member's equity interest, and provides that accrued interest need not be paid unless required under the articles of incorporation.

**Summary of Bill:**

A member of a rural electric association is not entitled to dissent from a merger to which the association is a party, nor obtain payment of the fair value of the member's shares in the association, if all members of the association have the right to continue their membership status in the surviving association on substantially similar terms.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.