

# SENATE BILL REPORT

## SSB 6282

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As Passed Senate, February 6, 1996

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

**Brief Description:** Providing for marketing contracts and revising elections of directors and amendments to articles for cooperative associations.

**Sponsors:** Senate Committee on Agriculture & Agricultural Trade & Development (originally sponsored by Senators Rasmussen and A. Anderson).

**Brief History:**

**Committee Activity:** Agriculture & Agricultural Trade & Development: 1/16/96, 1/23/96 [DPS].

Passed Senate, 2/6/96, 48-0.

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### SENATE COMMITTEE ON AGRICULTURE & AGRICULTURAL TRADE & DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6282 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rasmussen, Chair; Loveland, Vice Chair; A. Anderson, Bauer, Morton, Newhouse and Snyder.

**Staff:** Katie Healy (786-7403)

**Background:** Any number of people may associate as a cooperative association, for mutual benefit, to transact lawful business with regard to business, agriculture, dairy, mercantile, mining, manufacturing or mechanical business. Prior to 1989, the state had two cooperative incorporation statutes, one generic and one specifically tailored to fit agricultural cooperatives. For purposes of clarity, the more specific statute was deleted and the more generic statute retained.

The retained statute did not have a liquidated damages clause, although the prior, more specific statute regarding agricultural cooperatives did have such a clause. Concern has been expressed that costs of litigation initiated over whether the cooperatives have the authority to impose such damages can be reduced by providing this authority in the statute. The courts have held the cooperatives have this authority.

The directors of the cooperative must come from the members of the cooperative. A desire has been expressed for adding certain expertise to the cooperatives' leadership by allowing outside directors.

Conflicting language in two different statutes has presented some confusion over quorum requirements for the board when amending the association's articles of incorporation.

**Summary of Bill:** A liquidated damages provision is added to the cooperative incorporation statute. The cooperative association may make and execute marketing contracts. The contracts may contain a liquidated damages section that is a proper measure of the actual damages, and is not a penalty.

At least two-thirds of the board of directors of an association must be members.

Certain technical corrections are made to the statute establishing which language controls in determining quorum requirements.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill will confirm what the courts have already decided, that coops have the ability to add liquidated damages provisions in their contracts. This allows coops to gain needed expertise by allowing outside directors to be on the boards. Housekeeping details are taken care of regarding filing requirements.

**Testimony Against:** None.

**Testified:** Dan Coyne, Washington State Council of Farmer Coops (pro).