

# FINAL BILL REPORT

## SSB 6338

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C 228 L 16  
Synopsis as Enacted

**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).

**Senate Committee on Law & Justice**  
**House Committee on Judiciary**

**Background:** Mergers and other significant corporate actions typically require shareholders to authorize the proposed action by voting their approval. When a corporation goes through a fundamental change, such as a sale or merger, a shareholder who votes against the proposed action, but on the losing side, is entitled to dissent from the action. Dissenters may have the right to be compensated by the corporation for the fair value of the shareholder's shares.

A cooperative association is a unique type of corporation whose members are the joint owners of the cooperative. The members participate in the cooperative's business for the mutual benefit of all the members. Cooperative associations are governed by chapter 23.86 RCW. Cooperative members generally pay a membership fee and acquire an equity interest in the cooperative. Each member has equal ownership and participation in the control of the cooperative. Under current law, association members have the right to dissent from three types of cooperative association actions: merger or consolidation; conversion of the cooperative to an ordinary business corporation; and the sale or exchange of all, or substantially all, of the cooperative's property and assets outside the usual course of business. The current law governing cooperative associations provides that dissenting cooperative members enjoy the same rights that apply to business corporations under Title 23B RCW unless chapter 23.86 RCW provides otherwise.

**Summary:** A member of a rural electric association who dissents from a merger, conversion to a business corporation, or sale of its assets has limited rights. A dissenting member cannot require the association to refund all or part of their investment if all the cooperative association's members have the right to continue as members of the surviving association after the merger, conversion, or asset sale on substantially similar terms.

**Votes on Final Passage:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Senate	48	0	
House	97	0	(House amended)
Senate	48	0	(Senate concurred)

**Effective:** June 9, 2016