

RCW 23.100.0806 Limitations on distributions. (1) In this section, "distribution" does not include reasonable compensation for present or past services or other payments made in the ordinary course of business for commodities or goods or under a bona fide retirement or other bona fide benefits program.

(2) A limited cooperative association may not make a distribution, including a distribution under RCW 23.100.1008, if after the distribution:

(a) The association would not be able to pay its debts as they become due in the ordinary course of the association's activities and affairs; or

(b) The association's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the association were to be dissolved and wound up at the time of the distribution, to satisfy the preferential rights upon dissolution and winding up of members whose preferential rights are superior to the rights of persons receiving the distribution.

(3) A limited cooperative association may base a determination that a distribution is not prohibited under subsection (2) of this section on:

(a) Financial statements prepared on the basis of accounting practices and principles that are reasonable under the circumstances; or

(b) A fair valuation or other method that is reasonable under the circumstances.

(4) Except as otherwise provided in subsection (5) of this section, the effect of a distribution allowed under subsection (2) of this section is measured:

(a) In the case of a distribution by purchase, redemption, or other acquisition of financial rights in the limited cooperative association, as of the earlier of:

(i) The date money or other property is transferred or debt is incurred by the association; or

(ii) The date the person entitled to the distribution ceases to own the financial rights being acquired by the association in return for the distribution;

(b) In the case of any other distribution of indebtedness, as of the date the indebtedness is distributed; and

(c) In all other cases, as of the date:

(i) The distribution is authorized, if the payment occurs not later than one hundred twenty days after that date; or

(ii) The payment is made, if the payment occurs more than one hundred twenty days after the distribution is authorized.

(5) A limited cooperative association's indebtedness incurred by reason of a distribution made in accordance with this section is at parity with the association's indebtedness to its general, unsecured creditors except to the extent subordinated by agreement.

(6) A limited cooperative association's indebtedness, including indebtedness issued as a distribution, is not a liability for purposes of subsection (2) of this section if the terms of the indebtedness provide that payment of principal and interest is made only if and to the extent that payment of a distribution could then be made under this section. If the indebtedness is issued as a distribution, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is made.

(7) In measuring the effect of a distribution under RCW 23.100.1008, the liabilities of a dissolved limited cooperative

association do not include any claim that has been disposed of under
RCW 23.100.1009 through 23.100.1011. [2019 c 37 s 806.]