



STATE OF KANSAS

Office of the Attorney General

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Curt T. Schneider
Attorney General

March 27, 1978

ATTORNEY GENERAL OPINION NO. 78-144

Mr. Lovelle Frazier
Administrator
Kansas State Department of Credit Unions
535 Kansas Avenue
Topeka, Kansas 66603

Re: Credit Unions--Dividends--Payment

Synopsis: K.S.A. 17-2218 does not restrict the payment of dividends on a date of deposit to date of withdrawal basis, but does prohibit the payment of dividends monthly.

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Dear Mr. Frazier:

You inquire whether a credit union may pay dividends on a date of deposit to date of withdrawal basis. Additionally, you inquire whether credit unions may pay such dividends on a monthly basis.

K.S.A. 17-2218 provides in pertinent part as follows:

"The board of directors may declare a dividend to be paid from the net earnings at such intervals not more frequently than quarterly as the board of directors may authorize, provided that the rate of dividend paid in the event of withdrawal of shares during an accounting period shall not exceed that rate

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paid for the previous accounting period. Dividends shall be paid on all fully paid shares outstanding at the close of the dividend paying period, but shares which become fully paid during said period shall be entitled to a proportional part of said dividends for each month following such payment in full: Provided, however, Credit for a month may be accrued on shares which are or become fully paid during the first ten (10) days of the month."

In our view, the above cited statute authorizes the board of directors of a Kansas credit union to pay dividends subject to the following restrictions:

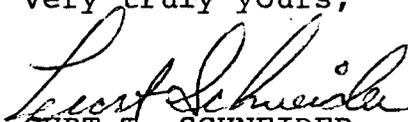
1. In case shares are withdrawn during an accounting period, the rate of dividends paid shall not exceed the rate paid in the preceding period.
2. In case dividends are declared by the board of directors, such dividends shall be paid in an equal amount on all shares which are fully paid, outstanding at the end of the dividend paying period, and which have been fully paid during the entire dividend paying period.
3. In case dividends are declared by the board, and in case of shares fully paid at the end of the dividend paying period which have not been fully paid during the entire dividend paying period, the board is required to pay a proportionate dividend on each such share corresponding to the ratio of the number of months within the dividend paying period after such share was paid in full to the total number of months in such dividend paying period.
4. Dividends may only be declared at intervals not more frequently than quarterly.
5. Dividends may only be paid after they are declared by the board of directors.

K.S.A. 17-2218 does not limit the board from declaring dividends on shares withdrawn during an accounting period, only the rate at which such dividends are paid is limited. Therefore, so long as this statutory limitation has been complied with, dividends may be declared and paid at the end of an authorized dividend paying period on a date of deposit to date of withdrawal basis.

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Dividends may only be paid after such dividends are declared by the board of directors. The board of directors may declare dividends pursuant to K.S.A. 17-2218 not more frequently than quarterly. Therefore, the monthly payment of dividends is not authorized under Kansas law.

Very truly yours,


CURT T. SCHNEIDER
Attorney General

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