

MEMORANDUM IN RE PAYMENT OF DIVIDENDS BY FEDERAL RESERVE BANKS, PAYMENTS,
UPON NEW STOCK SUBSCRIPTIONS, AND PAYMENTS UPON STOCK SURRENDERED:

1. Dividend Payments.

- (a) The Federal Reserve Board should be advised by the officers of the Federal reserve banks when it is the intention to submit the question of the payment of dividends to the directors at the next meeting. At the same time the bank should submit to the Board the information as called for in the attached memorandum marked "A".
- (b) Dividends to be paid annually, if earned. Books to be closed at the close of business December 31st. The suggested form of dividend resolution, which has been prepared by Judge Elliott, is attached to this memorandum and marked "B". Undistributed earnings are to be carried in the profit and loss account. No transfers should be made to surplus account until such time as accrued dividends have been paid to date. Accrued dividends, or interest on capital stock payments, are to be figured at the rate of $1/2\%$ per month. The dividend distribution should be based upon the earnings for the year. Accrued dividends for previous year to be first paid, balance to be applied on dividend for current year.

2. Payments on additional stock subscriptions of member banks.

- (a) Additional stock: Until such time as dividends have been paid in full to the last regular dividend date, new stock is to be paid for at par. When accrued dividends have been paid to date,

stock subscriptions during the following year are to be paid for at par, plus 1/2 per cent per month since the last regular dividend date, if earned.

(b) Stock subscriptions of new member banks: Rule outlined in preceding paragraph should govern.

3. Capital stock surrendered for payment and cancellation.

Until such time as a reserve bank has retired its organization expenses, surrendered stock should be paid for at par, unless a material actual impairment is shown, or unless undistributed earnings are sufficient to pay all accrued, current and organization expenses.

If a profit and loss surplus has been accumulated, after allowing for expense items referred to in previous paragraph, surrendered stock is entitled to share in such undistributed earnings as are shown by the books of the reserve bank on the last day of the preceding month, to be figured as follows:

Profit and loss account		
Current earnings (including all accruals)		
Less:		
Current expenses, including cost of Federal reserve notes used to date, allowance for depreciation in furniture and vaults, and depreciation in real estate, and accrued expenses not paid but chargeable to period.		
Estimated losses		
Estimated net undistributed earnings		

Under the circumstances outlined, the surrender value of stock will

be par, plus a share of the net undistributed earnings in the proportion which the accrued dividend or unpaid interest on the stock surrendered bears to the total accrued dividends on the stock of member banks, up to the close of business on the last day of the preceding month, i. e.,

Part 1	+	Net undistributed earnings after making allowances for accruals, depreciation and estimated losses.	\div	<u>Accrued dividend on stock surrendered</u> Total accrued dividends all member banks within district.
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Payments for additional stock and re-payments to member banks for stock surrendered, should be made at regular periods, say, quarterly.

"A"

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Statement of Earnings
to be filed with
Federal Reserve Board
prior to a declaration of dividend.

Earnings since Jan. 1, 191 .

Rediscounts		
Warrants		
Acceptances		
Commissions		
Other sources		
Accrued earnings (not credited)		

Current expenses

Expenses paid, chargeable to period since Jan 1st		
Accrued expenses to last day previous month		
Cost of Federal reserve notes used		
Allowance for depreciation in vaults and equipment		
Depreciation in real estate		
Net earnings		
Jan 1, 191__ Profit and Loss Account		
Less interest payments made on stock surrendered since Jan. 1, 191__		
Profit and loss balance after allowing for net earnings since Jan. 1, 191__.		
Estimated losses		
Available for distribution		

Supplemental Information

1. Unpaid indebtedness of closed banks to reserve banks. Give list, show if notes are secured, notes which have been past six months or longer, estimated losses.
2. Member banks considered to be in over-extended or unsafe condition. Give names of banks, indebtedness to Federal reserve bank, and a memorandum of security, if any.

"A"

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Dividends.

Available for dividend payments	_____
Dividend payment to be recommended to the Board of Directors:	
Per cent _____	
Amount _____	_____
Profit and loss account after allowing for proposed dividend payment	_____

NOTE:

In the opinion of the Federal Reserve Board, there should be retained in the profit and loss account an amount equal to -

- (a) Total of notes or other obligations bearing the endorsement of failed banks when such obligations have been past due six months or longer.
- (b) 10% of net earnings to provide for unexpected expenses or losses. (During the first few years).

Accrued Dividends.

Interest on capital stock payments to Dec. 31, 1915 at 6%	_____
Dividends paid to date	_____
Accrued and unpaid dividends to Dec. 31, 1915	_____
Accrued dividends - current year (estimated)	_____
Total accrued dividends to date	_____
Estimated dividend payment to be recommended to Board of Directors	
Estimated balance unpaid dividends after allowing for payment to be recommended to the Board of Directors	_____

"B"

RESOLUTION FOR DIVIDEND.

WHEREAS, The officers of this association have submitted to the Federal Reserve Board a statement of condition in form approved by the Board, which statement has been duly certified by a committee appointed by this Board, and has been ordered spread upon the minutes of this meeting, and

WHEREAS, It appears from this statement that the estimated accrued dividends due the stockholders on _____ day of _____ will amount to \$ _____, and that after charging to profit and loss account all expenses, whether paid or accrued which are properly chargeable as current expenses, and after making provision for any depreciation that may have occurred in the value of the assets owned by the bank and for probable losses, there will remain in said profit and loss account the sum of \$ _____.

NOT, THEREFORE, BE IT RESOLVED, that a dividend to stockholders of _____ per cent, payable on _____ day of _____ be, and is hereby declared on all stock of this bank as shown by the books of the bank on that date.

BE IT FURTHER RESOLVED, that a copy of this resolution be transmitted to the Federal Reserve Board and upon its approval that the officers of this bank be, and they are hereby, authorized and directed to pay and distribute to said stockholders the dividend so declared. *That after the payment of all accrued dividends, and after provision has been made for all expenses, losses and depreciation in assets, said officers are authorized, empowered and directed to charge to profit and loss account and to credit to the surplus account of this bank the sum of \$ _____, and pay the balance remaining to the United States as a franchise tax as provided by law.

* This part of the paragraph to be used after full dividends have been paid to date.

4/3/16