

**§1645. Allocation and distribution of net savings**

At least once a year the members or the directors, or both, as the articles or bylaws may provide, shall apportion the net savings of the association in the following order.

**1. Reserve fund.** Not less than 10% shall be placed in a reserve fund until such time as the fund shall equal at least 50% of the paid-up capital; and such fund may be used in the general conduct of the business. The amounts apportioned to the reserve fund shall be allocated on the books of the association on a patronage basis, or in lieu thereof, the books and records of the association shall afford a means for doing so in order that upon dissolution or earlier, if deemed advisable, such reserves may be returned to the patrons who have contributed the same, subject to the limitations of the section on dissolution herein;

**2. Return upon capital.** A return upon capital, within the limitations of sections 1507, 1641 to 1644, 1691 and 1692, may be paid upon share capital; but such return upon capital may be paid only out of the surplus of the aggregate of the assets over the aggregate of the liabilities, including in the latter the amount of the capital stock, after deducting from such aggregate of the assets the amount by which such aggregate was increased by unrealized appreciation in value or revaluation of fixed assets.

**3. Educational fund.** A portion of the remainder, as determined by the articles or bylaws, shall be allocated to an educational fund to be used in teaching cooperation, and a portion may be allocated to funds for the general welfare of the members of the association.

**4. Patronage.** The remainder shall be allocated at the same uniform rate to all patrons of the association in proportion to their individual patronage:

A. In the case of a member patron, his proportionate amount of savings returns shall be distributed to him unless he agrees that the association should credit the amount to his account toward the purchase of an additional share or shares or additional membership capital;

B. In the case of a subscriber patron, his proportionate amount of savings returns may, as the articles or bylaws provide, be distributed to him or credited to his account until the amount of capital subscribed for has been fully paid;

C. In the case of a nonmember patron, his proportionate amount of savings returns shall be set aside in a general fund for such patrons and shall be allocated to individual nonmember patrons only upon request and presentation of evidence of the amount of their patronage. Any savings returns so allocated shall be credited to such patron toward payment of the minimum amount of share or membership capital necessary for membership, or may be paid to such patron. When a sum equal to this amount has been accumulated and so credited at any time within a period of time specified in the bylaws, such patron shall be deemed and become a member of the association if he so agrees or requests and complies with any provisions in the bylaws for admission to membership. The certificates of shares or membership to which he is entitled shall then be issued to him;

D. If within any periods of time specified in the articles or bylaws:

- (1) Any subscriber has not accumulated and paid in the amount of capital subscribed for; or
- (2) Any nonmember patron has not accumulated in his individual account the sum necessary for membership; or
- (3) Any nonmember patron has accumulated the sum necessary for membership, but neither requests nor agrees to become a member or fails to comply with the provisions of the bylaws, if any, for admission to membership;

then the amounts so accumulated or paid in shall go to the educational fund, and thereafter no member or other patron shall have any rights in said paid-in capital or accumulated savings returns as such. Nothing in this section shall prevent an association operating under this subchapter, which

is engaged in rendering services, from disposing of the net savings from the rendering of such services in such manner as to lower the fees charged for services or otherwise to further the common benefit of the members. Nothing in this section shall prevent an association from adopting a system whereby the payment of savings returns, which would otherwise be distributed, shall be deferred for a fixed period of months or years; nor from adopting a system whereby the savings returns distributed shall be partly in cash, partly in shares, such shares to be retired at a fixed future date in the order of the serial number or date of issue.

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