

OFFICE OF FINANCIAL INSTITUTIONS

OFI BULLETIN

BL-05-2003
August 18, 2003

TO: THE CHIEF EXECUTIVE OFFICER/MANAGER

SUBJECT: SUBCHAPTER "S" CORPORATIONS DISTRIBUTIONS (DIVIDENDS)

As a result of the increasing number of state-chartered financial institutions converting to Subchapter S Corporations, 33 as of March 31, 2003, there is a need to clarify the intent of the Louisiana Banking Law with respect to the distribution of earnings of such institutions.

It is the opinion of this office that, despite the difference in terms for Subchapter S Corporations, 'distribution of earnings' is the same as the 'payment of dividends.' Therefore, the distribution of earnings to Subchapter S Corporations shareholders is subject to the dividend limits contained in LSA-R.S. 6:263(B). Prior approval of the Commissioner is also required in order to exceed the limitation as contained therein.

While such distributions (dividends) are normally considered to be automatic, they **must** be declared by the Board of Directors prior to payment.

This bulletin will also be posted on OFI's website www.ofi.state.la.us. If you have any questions, please contact me directly.

Sidney E. Seymour
Chief Examiner
Louisiana Office of Financial Institutions
sseymour@ofi.state.la.us
225/925-4675