

273.237 Shares of stock and dividends prohibited -- Permissible expenditures.

- (1) A corporation shall not have or issue shares of stock. Except as authorized by subsection (2) of this section, no dividend shall be paid and no part of the income or profit of a corporation shall be distributed to its members, directors, or officers.
- (2) A corporation may:
 - (a) Pay reasonable compensation to its members, directors, or officers for services rendered to the corporation;
 - (b) Reimburse reasonable expenses to its members, directors, or officers in connection with services rendered to the corporation;
 - (c) Confer benefits upon its members in conformity with its purposes;
 - (d) Apply income or profit so as to reduce or eliminate dues, fees, or contributions that otherwise would be payable to the corporation by its members;
 - (e) Make distributions, subject to subsection (3) of this section, upon dissolution or final liquidation to its members as permitted by KRS 273.161 to 273.390, and no such payment, benefit, or distribution shall be deemed to be a dividend or a distribution of income or profit;
 - (f) Make distributions, subject to subsection (3) of this section, to any entity:
 1. That is exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, or any successor section; or
 2. That is a state, a possession of the United States, or any political subdivision of a state or a possession of the United States, or the United States or the District of Columbia, but only if the distribution under this subparagraph is made exclusively for public purposes; and
 - (g) Make distributions, subject to subsection (3) of this section and only by a corporation other than a charitable or religious corporation to purchase its memberships.
- (3) A corporation shall not make any distribution under subsection (2)(e), (f), or (g) of this section if at the time of, or as a result of, the distribution:
 - (a) The corporation would not be able to pay its debts as they become due in the usual course of business; or
 - (b) The corporation's total assets would be less than the sum of its total liabilities.

Effective: July 14, 2018

History: Repealed, reenacted, and amended 2018 Ky. Acts ch. 193, sec. 4, effective July 14, 2018. -- Created 1968 Ky. Acts ch. 165, sec. 25.