§ 517. How net earnings credited for dividend purposes, credits to surplus fund and to undivided profits, dividends to stockholders. When the net earnings of an investment company having preferred shares issued and outstanding have been determined at the close of a dividend period, if the surplus fund does not equal twenty per centum of the investment company's capital, one-tenth of such net earnings shall be credited to the surplus fund, or so much thereof, less than one-tenth, as will make such fund equal twenty per centum of such capital. The balance of such net earnings, or the entire amount thereof if such fund equals such twenty per centum, may be credited to the investment company's profit and loss account; or, if its expenses and losses for such dividend period exceed its gross earnings, such excess shall be charged to its profit and loss account. The credit balance of such account shall constitute the undivided profits at the close of such dividend period, which undivided profits shall be available for dividends.

The directors of any investment company may annually, semi-annually or quarterly, but not more frequently, declare such dividends as they shall judge expedient from such undivided profits; provided, however, that the directors of any such company may declare a dividend in the last month of the fiscal year of such company, in lieu of any other semi-annual or quarterly declaration in the same fiscal year. No investment company shall declare any dividends to its stockholders until it shall have made good any existing impairment of its capital and any existing encroachment on its reserves required to be maintained against deposits.