



**THE ATTORNEY GENERAL
OF TEXAS**

AUSTIN, TEXAS

Gerald C. Mann
~~Attorney General~~

March 16, 1939

**Mr. Thomas H. Abel
County Attorney
Wharton County
Wharton, Texas**

Dear Sir:

Opinion No. G-432

**Re: Directors El Campo Farmers
Cooperative Society have
full management of net pro-
ceeds of Society**

You inquire if the said directors of the above named society may apply one-half of the net proceeds on member certificates, and the remaining to the patrons based upon the number of bales ginned by each patron. You attach to your inquiry certified copy of the charter and the by-laws.

The Society is organized under Articles 2514 to 2524 Revised Civil Statutes. Article 2516 provides that the corporation laws of the state shall govern the Society except wherein they conflict with the provisions of the cooperative statutes. Article 2518 provides that such society may by its directors, in accordance with its by-laws, pass its profits to the surplus fund, or divide the same among the members of the society in proportion to their respective contributions in cash to the working-capital of the corporation and patronage of their members.

Article 5 of the by-laws provides that the directors shall divide the profits of this Society among its members in proportion to the amount of business transacted for each of said members, after having paid ten per cent to each member on the amount which he has paid into the working-capital of the Society, provided twenty per cent of the net profits in each year's business shall annually be paid into the surplus fund until such surplus fund shall equal twice the amount of the Society's working-capital.

If the Society in the manner provided by the by-laws amends Article 5 of its by-laws so as to provide for the distribution which it desires to make, we see no inhibition in the statutes, and we therefore answer that the Society may make such distribution, if it first amends its by-laws in the manner provided in said by-laws authorizing such distribution to be made.

**APPROVED:
/s/ Gerald C. Mann
ATTORNEY GENERAL OF TEXAS**

**Yours very truly
ATTORNEY GENERAL OF TEXAS**

By /s/ A. E. Rollins, Assistant