

Box 1110

COOPERATIVES

Information + charts

97/145

c

Walter E. Packard
775 Cragmont

Introducing Hi. Korematsu
who has come to me thru Galen
Fisher. He is preparing a non-
profit, coop. farm venture to
care for orphans, & is seeking \$800
financial assistance. Paul Taylor

YMCA BUILDING
1530 Buchanan Street
San Francisco, California

February 20, 1942

Mr. Walter E. Packard
775 Cragmont Avenue
Berkeley, California

Dear Mr. Packard:

Knowing that you are concerned with the social problems of America, we seek your kind attention because:

There is a growing critical problem of caring for the dispossessed aliens from prohibited zones in the Pacific coast areas. We are also aware of the fact that many aliens are already facing destitution and soon may become public charges.

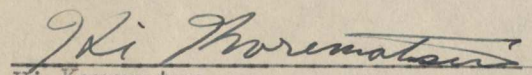
With present trends, these people are creating a mounting economic and social burden. These conditions cause public concern, and the situation is depressing to the general morale.

Herein enclosed is a practical plan that will help answer many of these problems constructively, by allowing these aliens and their families to contribute in a positive way to our National efforts.

It would be invaluable to our committee to have a written statement from you, expressing your sympathetic interest in the objectives of the plan.

Thanking you for your immediate attention and consideration, I am

Sincerely yours


Hi Korematsu
PROPOSER CHAIRMAN
COMMITTEE ON ALIEN RESETTLEMENT

COOPERATIVE FARM
PROJECT FOR
ALIEN RESETTLEMENT

Y.M.C.A.
1530 Buchanan Street
San Francisco, Calif.

Mr. Walter Packard

We present this as a possible solution to an economic and social problem which faces the State of California during these critical times.

We, the proponents of this plan are Americans.

While we want to be humane, to uphold the common goals of decency, humanity and liberty, we are not permitting any undue sympathies to mislead our good judgment. We are for any and all programs which have as their object the advancement of our Democratic Government, and we are eager to contribute in every way possible toward the downfall of everything that is beneficial to the Axis program.

We recommend the plan attached herewith because we believe that the law-abiding aliens residing in the State of California to be of economic value. Gathering aliens in government camps or furnishing charities indefinitely to evacuees will only increase economic burdens, whereas these people are capable of contributing to the economic stability of America.

This WAR, and the peace to follow, like others can be won through unity, coordination and mutual sacrifices.

Therefore, your kind attention is respectfully requested:

Hi Korematsu: Acting Chairman
Proponent Committee for
Evacuated Alien Resettlement
Program.

Y.M.C.A.
1530 Buchanan Street
San Francisco, Calif.

A
MASTER PLAN
FOR
NON-PROFIT COOPERATIVE FARMS INC.

(Note: Name of the location
will precede title.)

OBJECTIVES

1. To enable voluntary evacuation inland away from strategic areas.
2. To keep from the public relief rolls those of Japanese extraction and others who, through removal of their means of livelihood, face eventual want.
3. To add to the economic resources of the United States in these critical times by maintaining them in productive activity.
4. To sequester approved aliens where proper government agencies may easily supervise their conduct and foster continued loyalty to the United States of America.
5. To reduce post-war destitutions.
6. To strengthen American unity through practical education in democracy.

COMMITTEE FOR ORGANIZATION
OF COOPERATIVE FARMS INC.

page two

THE PROBLEM OF THE
JAPANESE ALIEN

The sudden onslaught of war in the Pacific has not only plunged the United States into the throes of a mighty conflict, but in line with many other changes in our national life, has brought up a question of vital importance--- what to do with aliens in this country, particularly with those who have been residing in localities designated as strategic areas.

Many thoughts have been expressed and many schemes have been presented. These have crystallized in the recent action by Pacific Coast members of Congress who, in our nation's capital, have recommended programs to the President of the United States.

Briefly, these programs would place the control of "enemy aliens" under the War Department, would immediately evacuate such aliens and their families from strategic areas, would intern them temporarily in available C.C.C. camps pending the working out a long-range resettlement project, and would provide Federal assistance for all uninterred aliens whose means of livelihood are affected by the war.

In close conformity to these recommendations we propose the immediate establishment of Cooperative Farms Inc., which, it is intended, shall be the forerunner of similar establishments sufficient in number to care for all Japanese aliens who are subject to evacuation from restricted localities where they have been living and working.

The authors of this plan are only concerned with those aliens who are loyal to American interests.

This plan is a result of our interest in seeking a feasible solution to the problems created by recent evacuation orders.

Originators of the plan are Christian leaders who are American citizens of Japanese parentage, who have worked it out in collaboration with outstanding citizens of other national and racial backgrounds. Continuous thought has been directed to the matter since the attack upon Pearl Harbor, and the project has now reached the point where endorsement of leading Americans and approval of the public in general is sought.

THOSE GOVERNMENTAL AGENCIES most directly concerned have been kept constantly advised, so that this plan is not unfamiliar to them.

COOPERATIVE FARMS INC.

Cooperative farms are planned because the production of food is essential to the winning of the war by the United States. The majority of Japanese aliens are well experienced in the production of food stuffs. Those whom the war has forced out of other pursuits may readily be trained in the art of farming, so that they, too, may again become productive. Farm labor is scarce, because many are turning to better-paid work in defense industries. The cooperative farms, with their available man-power, will aid in offsetting a part of this labor shortage.

GENERAL CHARACTER OF THE FARMS

1. LOCATION: The location and establishment of Cooperative Farms Inc. is subject strictly to government approval. They may be established away from the sea coast and strategic areas, in regions where the pursuit of agriculture is possible, and where essential transportation and communicative facilities and electric power are readily available.
2. SIZE: Each unit of the Cooperative Farms will be of such size as may be deemed practicable in light of various circumstances. However, each farm unit should consist of about 100 families, that will support themselves and produce food for public and government markets.
3. PRODUCTS: Products of the farms should be thoroughly diversified. They may include dairy products, poultry, livestock, vegetables, berries, grains, soy beans, sugar beets, cotton, also important herbs and spices, and such experimental crops as guayule, as substitute source of rubber supply. Whatever is deemed by governmental authorities to be most needed, such as agricultural products needed for chemurgic use, will be produced, so as to fit closely into the general scheme of National Defense and the winning of the war.
4. EXPERIMENTAL STATIONS: Close touch will be maintained with agricultural colleges and experimental stations. Cooperative farms may themselves become an important adjunct of the United States experiment stations of the Federal and State Department of Agriculture, as an emergency governmental project to insure production of food products vitally needed to maintain the health of the nation and its armed forces.
5. CONTROL AND MANAGEMENT:
 - a. Board of Directors: Full executive authority for the creation, management and control of the farms will be vested in a Board of Directors of fifteen members, all loyal, approved citizens of the United States.
 - b. Advisory Committee: Serving under the Board of Directors will be an Advisory Committee. To this Committee will be appointed representatives of various governmental agencies experienced in farming. This Committee will possess no executive authority. All its acts will be subject to approval by the Board of Directors.
 - c. Administrative Staff: Also serving under the Board of Directors, and with the cooperation of the Advisory Committee, is to be an Administrative Staff, all American citizens, including a group graduated in agriculture, who will serve as technical supervisors.
6. PLAN OF ACTION: Details of plan of action will follow upon governmental confirmation; however, planning, construction, and operation will be largely assumed by the participants of the farm.

FINANCING:

It is obvious that financing is required by the Corporation to purchase the necessary acreage, adequate housing and necessary buildings for farm operation. There are several methods by which adequate financing of the project can be attained:

1. F.S.A. The F.S.A., supported by vast sums of money advanced by the Reconstruction Finance Corporation, lays great stress in its operations upon the creation of cooperatives among small farmers.

If an F.S.A. loan were granted in a form of a government loan to aid for the establishment and execution of the Cooperative Farms, the Federal Government would secure eventual return of funds which otherwise it might be called upon to extend Outright in the form of charity for poverty-stricken Japanese aliens.

2. PERSONAL CONTRIBUTION: voluntary contributions are anticipated from American citizens of Japanese parentage, the Nisei, as well as from other Americans who are conversant with the need for prompt, constructive, intelligent action to meet the situation brought about by the war. However, the funds from these last named sources may be used for the preliminary expenses of organizing the project and placing it in operation.

3. ESTABLISHMENT OF COOPERATIVE FARMS IN WHICH ALIENS, AS WELL AS CITIZENS, MAY INVEST THROUGH SPECIAL LICENSES ISSUED BY THE UNITED STATES TREASURY DEPARTMENT. According to recent reports (Feb. 3) from the United States Treasury Department, "A special license ruling required that the foreigners get special licenses before buying more than one per cent of any class of stock of any corporation. Since foreign assets tied up in this country by freezing orders cannot leave the United States, they are frequently permitted to be invested here."
(Foreign Funds Control, Circular No. 222)

4. DIRECT GOVERNMENT AID: Direct Governmental financial aid, for re-establishment of law-abiding aliens removed from strategic areas, as an emergency governmental project.

LEGAL ASPECTS OF THE PROJECT

In 1913 the California State Legislature enacted the Alien Land Law, which provided that no alien who was ineligible for citizenship (which includes the Japanese) could own land in this State, though he could lease land for three-year periods. To meet the situation brought about by this law, many so-called "family corporations" were formed among the Japanese. Such corporations had the privilege of owning land, provided the majority of their stock holders were citizens of the United States. Japanese nationals could be members of the Board of Directors, and could legally be paid salaries for their services.

In 1920 the voters of California adopted an initiative measure which made unlawful the land-leasing privilege and also deprived the ineligible alien of the right to acquire shares in any landholding corporation.

The Supreme Court of California has held, however, that an ineligible alien has the legal right to make an outright gift of money, land or other property to his American-born children, and that these children have the same right to name their own father as trustee of their property as has any other American citizen.

In conformity with the Alien Land Law, the Cooperative Farms will be an organized corporation, incorporated under the laws of the State of California, with no individual owning any proprietary interest therein. Only citizens-of

the United States may be incorporators, or directors. The corporation may engage in all such agricultural, marketing and other production and business pursuits as may be covered in the scope of its articles of incorporation and may, of course, acquire and hold land.

Thus, in the Cooperative Farms, Japanese aliens may be productive, self-supporting and self-respecting, and without extra expense upon the Government for their detention and care. They can receive no profits from the crops they help raise, however, and can have no proprietary interest therein. They may not even receive a bonus or any similar gratuity, but will receive only regular wages.

There will be no undue competition with neighboring farms and agencies. All products may be handled through proper Federal and State agencies.

ONLY LOYAL JAPANESE ALIENS CONSIDERED

In evolving the plan for the establishment of Cooperative Farms, there has been no desire to depict the problem of the Japanese alien and his dependents other than it really is.

No sympathy is felt by the originators of this plan, nor should be felt by them or others, toward those subversive aliens who would harm the country which has given them shelter.

Non-profit Cooperative Farms Inc. is a patriotic endeavor to accomplish the six major objectives set forth on the title page of this brief outline.

COMMITTEE FOR ORGANIZATION OF
NON-PROFIT COOPERATIVE FARMS INC: therefore----

DESIRES APPROVAL OF THE PUBLIC

As hereinbefore indicated, the plan for Cooperative Farms Inc. was first conceived by a group of American-born college graduates of Japanese stock. Now there is sought, for placing the plan in operation, the approval of those leaders who believe that such farms will go far toward alleviation of the present difficulties faced by both the United States Government and by the loyal Japanese who have been law-abiding and who are being evacuated from their homes and farms.

These aliens who are being evacuated without security may turn their sympathies toward the Axis; it will bring their distrust in the democratic principles of America, and it will be defeating the very thing we are defending as a Nation at War.

Thus, a constructive program has been developed. Care has been taken to keep interested government agencies advised of this plan during its development. This practice will be continued. It has been in a spirit of cooperation, not with the ideas of assuming or interfering with any government prerogatives, that the Cooperative Farms Inc. has been advanced. We submit this plan with the belief that it is both constructive and thoroughly practical.

This plan is respectfully submitted for your kind consideration. An acknowledgment will be sincerely appreciated.

COMMITTEE FOR EVACUATED
ALIEN RESETTLEMENT PROGRAM.

PROPOSED ADVISORY COMMITTEE FOR NON-PROFIT
COOPERATIVE FARMS INC. FOR RESETTLEMENT OF
EVACUATED ALIENS

(The following persons have expressed willingness to serve,
others will be added to the committee)

Galen M. Fisher	Institute of Pacific Relations
William C. James	Friends Service Committee
Robert R. Gros	Public Relations, Pacific Gas & Electric
Dean C. B. Hutchison	College of Agriculture, University of California
Lawton Harris	Church Federation Y.M.C.A.
Dean Walter J. Homan	San Francisco State Teachers College
Dr. Alfred G. Fisk	San Francisco State Teachers College
William F. Benedict	Former Asst. Sec. to Mayor Rolph of S. F.
Harry L. Kingman	General Secretary, University of Calif., Y.M.C.A.
Russell Proffitt	Associated Cooperatives

Cooperative Farms Program has had the understanding and
assistance of the following agencies:

United States Department of Agriculture

State Attorney General

United States District Attorney

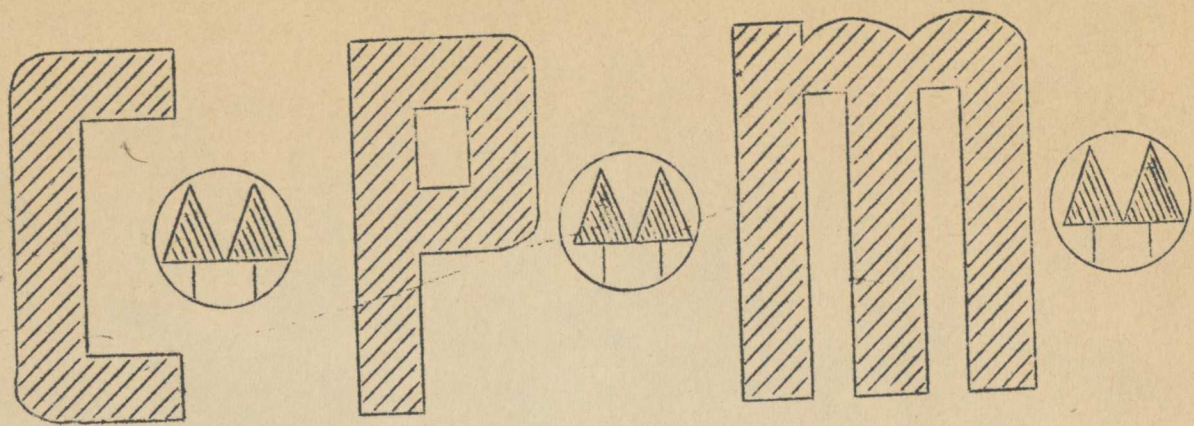
Farm Security Administration

East Bay Church Federation

Friends Service Committee

College of Agriculture, University of California

AND OTHERS



INFORMATION

for

MEMBERS

& PROSPECTS

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SUBMITTED by HI KOREMATSU

We wish to acknowledge and express our deepest appreciation to the following, and to the many others who have made this work possible:

Dr. Galen M. Fisher
Dr. F. H. Smith
William C. James
Dr. Gordon K. Chapman
Mr. & Mrs. Frank Duveneck
Edwin P. Arthur
George Knox Roth
Robert R. Gros
Dean C. B. Hutchison
Dr. Lawton Harris
Dr. Alfred G. Fisk
William F. Benedict
Harry L. Kingman
Russell Proffitt
Mr. & Mrs. Ruolf Alexander Isenberg
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H. V. Nicholson
Edward J. Ennis
Frederick St. Goar
Julian Clawson
Carey McWilliams
Rex E. Willard
Julian A. McPhee
Carl F. Taeusch
John H. Tolan
T. W. MacQuarrie
Gen. David P. Barrows
Park Abbotts
W. T. Span-son
Allen C. Blaisdell
Paul McNutt
N. E. Dcdd
Annie Clo Watson
Dorothea Lang
Roscoe Bell
Dr. R. L. Adams
Prof. David Weeks
Dr. Joseph Goodman
Dr. Ray Lyman Wilbur
Robert Yeaton
Walter E. Packard
Robert March
John Apfeler

C O N T E N T S

FOREWORD

C.P.M. Cooperatives.
Cooperative Hospitalization.

MUTUAL AID THROUGH COOPERATION

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Weather and Climate.
Future of the Cooperative Farm Projects.

A STUDY ON COOPERATIVES

What is Cooperation?
What Cooperatives Do.
Cooperative Objectives.
Cooperative Management.
Cooperative Accomplishments.
Large Successful Cooperative Societies of Europe.

COOPERATIVE STUDY GROUPS

INTRODUCTION

MEANING OF COOPERATIVES

FROM EDITORIAL, THE NEW YORK TIMES, MARCH 21, 1941.

ABSTRACTS OF THE LAWS, PERTAINING TO COOPERATIVES IN UNITED STATES:

California:

Building & Loan Associations--Laws of 1931.
Cooperative Corporations--Laws of 1939.
Mutual Life and Disability Insurance Companies on the
Stipulated Premium Plan, with Provisions for Assess-
ments--Laws of 1935.
Non-profit Hospital Service Plan Corporations--Laws of 1937.

Colorado:

Assessment Accident Associations--Laws of 1913.
Cooperative Marketing Associations--Laws of 1923.
Corporations Not for Profit--Laws of 1931.

Idaho:

Cooperative Marketing Associations--Laws of 1921.
Land and Building Corporations--Laws of 1887.
Non-profit Cooperative Associations--Laws of 1913.

LEGAL PHASES OF COOPERATIVES

Names of incorporators.
Name of Corporation.
Purposes for which association is formed.
Place.
Term.
Number of directors.
Articles of Incorporation.

OTHER LEGAL ASPECTS

Charter.
Rights.
Liabilities.
Incorporation of Cooperatives.
Cooperative Legislations.
Statutory regulation on employment of young workers.
Voting Rights.
Legal Aspects on Refunds.

SUMMARY

MANZANAR RECEPTION CENTER-ADMINISTRATIVE PLAN.

C.P.M. COOPERATIVES-INLAND ASSOCIATION PLAN.

REFERENCES.

FOREWORD C.P.M. COOPERATIVES

With agriculture being the foundation of every nation, and agriculture being the most adapted to the Japanese, verified by their past contribution to the "Food for Freedom" program, we are confident that the government is not overlooking their talents. Mr. Clifford Townsend of the Agriculture Defense Relations said, "The British know and understand from tragic experiences the value of food. They know that even the most valiant people grow weary and tired when they do not have enough food and variety of foods. The people of England are thanking God for the farmers in America." Regardless of race, color, or creed, farmers' interests and problems are the same throughout the world, and Japanese farmers of America are no exceptions. They constantly battle insects, diseases that menace their crops, the soil, the climate, etc., to produce better crops.

Tragic experiences of many ambitious city families who have lost all of their savings on a farm venture, is ample proof enough that inexperienced people alone on farms can easily meet disastrous financial results; however, with an organized body of competent men, scientists, skilled practical farmers, and means for continuous education in scientific farming, we are confident that any city people can easily and successfully fit into a cooperative agricultural program.

C.P.M. Cooperatives.

The contemplated Consumers, Producers, and Marketing cooperative project is a GENERAL PURPOSE type of project. This type of cooperative is usually organized in rural areas in order that it may offer to its members every kind of business service that they require. It markets all of their varied farm products; it purchases for them their farm requisites such as fertilizers, tools, etc., and it operates stores for their home requirements.

This General Purpose type of cooperative is effectively suited to areas where the land is poor, over-populated, or in areas where there are "stranded populations", and where the economic resources of a community are meager. Such a self-help project will be of great value in helping to bring the income of the residents up to the minimum requirements for reasonable subsistence and in maintaining morale.

Although our work has been stifled many times due to constant changing situations, we are in touch with some of the most prominent and influential citizens of the Intermountain States and they are ready to cooperate with us when our status is more clearly defined.

In no way do we pretend to offer an Utopia program for the evacuees, but our sincere aim is to encourage evacuees to broaden their outlook and look ahead constructively and plan their future needs through intellectual preparation. Cooperative projects can be realized immediately or in the near future according to the desire and the needs of the people concerned. Under the present situation, we cannot freely make definite statements in regards to cooperative resettlement projects, since it is in the hands of the War Relocation Authorities who are considering every phase of its project.

Cooperative Hospitalization.

Social studies indicate that in communities where families are financially limited, many usually show signs of poor health; however, such conditions have been corrected through a cooperative medical program where families pay a fixed fee based on ability to pay, and are free to choose any physician participating in the program. This pre-payment plan tends to put the emphasis on preventive medicine since members of the group feel free to approach a physician at the first sign of illness. Although cooperative hospitalization will be studied to adequately satisfy the doctors, etc., as well as the people for resettlement projects, cooperative hospitalization will not be practiced in camps since medical facilities are being furnished through the Federal and State aid.

MUTUAL AID THROUGH COOPERATION.

Status of the Japanese.

Because the recent proclamation restricted traveling of aliens as well as citizens of Japanese parentage, many of those affected became needlessly alarmed, and many gave up hope and believed that all hope was lost. Some of those who have joined the cooperative group wishes that they had gone out of their homes from the prohibited areas before the restricting orders came into effect.

The primary reason why such a proclamation was issued was to safeguard the people. Too many who have gone out of their homes from the prohibited areas to avoid Government camps have met tragedies and grief. Many have made no preparations in regards to the daily food problems, housing, medical care, etc.; hence to avoid further ill treatment of those people contemplating going out, the new regulation ordering people to stay home until the Government has arranged a place for them to go, was for their own safety.

It is without any doubt that all will have to go to Government induction camps under the control of the War Dept., and after that the Civilian War Relocation Authorities will take control. There, the people will be checked on their health to protect the groups from diseases and epidemics. These reception centers will serve two functions: first, by classifying the evacuees it will be possible to organize a more effective community resettlement project; secondly, as a temporary site to gather before resettlement.

It is certainly not desirable to make any definite statement in regards to projects or the status of the Japanese people at the present time because of the rapid changing conditions.

Weather and Climate.

Any climate inland will more or less have extreme temperatures; hence the Japanese people who are accustomed to the mild climates of the coast may have to orient themselves the best they can, both mentally, physically and materialistically.

FUTURE OF THE COOPERATIVE FARM PROJECTS:

Traveling from California Eastward, Caleb Foote, Field Executive of the F.O.R. wrote from New York, and in his letter he said, "I have found that most of the small communities in middle western states were afraid that any settlement of Japanese will cause great hostility. Kansas has followed other States in creating a very discriminatory measure against the Japanese, and the feeling is also running high in other states. This is due to the publicity given against the Japanese." Being a native of California, we can understand their feelings since we would not be very anxious to welcome such people if they were coming from the Middle West to California with the news telling us that they are Dangerous Enemy Aliens, Fifth Columnists, etc. Mr. Foote continues, "I am appalled at the complete lack of understanding of the people of other States, in regards to the seriousness of how California is being affected by the economic and social dislocation of the Japanese. Cincinnati News have taken the stand that we will have another Pearl Harbor in San Francisco or Los Angeles unless evacuation proceeds." In addition to Mr. Foote's report, we must also admonish that with highly commercialized news, it is possible for irresponsible reporters to easily turn factual into the spectacular, which may create spontaneous emotional mob war hysteria that may threaten unprotected citizen and alien Japanese with violence and physical harm, as was experienced by the German aliens in America during the last war.

Thus with the hostile attitudes of other States, the W.R.A. hesitates to have any organized groups go out to resettle by themselves unprotected at this particular time. Fortunately, or unfortunately, majority of the American Japanese do not realize the seriousness of war because they have never experienced it before; nevertheless, they should be prepared to meet any eventualities with intelligence and understanding, and cooperate with the War Relocation Authorities (WRA) as well as possible. The W.R.A. aims to protect and relocate the people on constructive projects in which they will be gainfully employed. When the condition permits with the subsidence of the general public sentiments, Japanese people may be able to relocate themselves on democratically organized farming projects.

A STUDY ON COOPERATIVES

What is Cooperation?

Whenever people join together in a mutually helpful undertaking, that is cooperation.

What Cooperatives Do.

It is an institution which supply consumer's needs by distributing goods at cost, and frequently by making or importing the goods they distribute.

Cooperative Objectives.

1. Saves money for their members.
2. Abolishes private profit. It sets up a society in which all national income (except for a small fixed return on capital) shall be paid to workers in wages and salaries, with all profits accruing to consumers in the form of lower prices.
3. Monopoly, they say, can be controlled much more effectively by cooperative competition than by anti-trust laws.
4. Cooperatives encourage thrift.

Cooperative Management.

In cooperatives, practically all the members feel that they have some share in running it, and almost all of them have to assume, at one time or another, some responsibility for it. The society has a management committee corresponding to the board of directors of a stock company. In addition to this central directing committee there are committees concerned with educational activities, labor policies, marketing, etc. The membership of these committees changes from time to time, and practically every member who has any interest in how his business is run has a chance to help run it. In such work the members develop a special loyalty to the business, which is characteristic of the cooperative method.

Cooperative Accomplishments.

1. Reduction in costs of retailing with advantages accruing to consumers, thus making possible more saving and higher standards of living, and contributing to economic stability.
2. Promotion of thrift; increasing economic security of members.
3. Education in intelligent buying, family budgeting, and general economics.
4. Better citizenship, the result of widely diffused ownership of an important democratic business enterprise.
5. Effective control of monopoly by cooperative competition.
6. Comparatively high labor standards.

Large Successful Cooperative Societies of Europe.

	<u>MEMBERSHIP</u>
Switzerland. General Consumers' Society of Basle.	59,711
France. Dairy Marketing Organization. Town of Cognac.	120,000
Ireland. Drinagh Cooperative Creamery, Ltd.	1,500
Finland. Elanto Cooperative Society of Helsinki.	50,000
Sweden. Stockholm Consumers' Cooperative.	77,000
England. Liverpool Cooperative Society Ltd.	120,000

Note: As a rule, cooperatives of large membership is desirable for greater opportunities.

With peace to come, wars to end, wounds to be healed, and friendships to be restored, we must be mentally and physically prepared for that time. We can be studying cooperatives in our free time and organize cooperative projects in camps and practice its operation there. When we are free to work, we will be prepared to set up a cooperative organization that may become a contribution. Those who are interested in private enterprises, may still join cooperative study groups, and his participation will be helpful to his morale as well as to the study groups. Study groups should be congenial and atmosphere friendly. S.F. YMCA have been holding study groups, with luncheons, etc.

Cooperation and the State.

Cooperatives aid the government, by creating a sense of responsibility and ownership among the members and by broadening their outlook, all of which makes for better citizenship; they do some things that otherwise the government would have to do (Farm relief, State aid, etc.) and they enhance economic stability.

Cooperatives have been recognized as an integral part of the national economy. More than that, because of its democratic structure, its wide-spread membership participation, its educational contribution, it is felt to be one of the mainstays of democracy.

Pride in the members in cooperative ownership and management, together with their theory of a free and voluntary society, leads cooperators to reject Fascism, Communism, and other approaches to the totalitarian state. (Report to President of U.S. 1937 on Cooperative Enterprise in Europe.)

C.P.M. Cooperative Membership Cards.

We have already distributed cooperative membership cards and these cards will be used for identification for future use upon the realization of a Cooperative project; also this card will identify the fact that the holder of the card will be familiar with cooperatives and its practical applications, providing of course, that he attends cooperative study groups.

The membership is one dollar, and this money will be used to purchase important and essential cooperative study materials, publication materials, stamps and other means of communication with members and groups, legal fees, outside contacts, etc. Members will also be entitled to all the privileges and rights of the proposed C.P.M. Cooperative, and to take an active part in its construction, especially for its immediate application in the camps.

It may be desirable and practical to form small cooperative groups right in camp in order that we may be able to put cooperative principles into practice where mistakes can be tolerated, and also be able to freely confront various cooperative problems which can be studied and corrected in order that they will be avoided in the future. It may be a good practice (in camp) to be able to purchase goods together and be able to do business with each other, with profits returned to the consumer according to his purchases. It must be democratically organized, etc., of course, and being constructively occupied during our stay, will certainly make our efforts invaluable in the immediate future.

The membership money collected may be sent to the C.P.M. Cooperatives, 1530 Buchanan, San Francisco, California, or it may be sent after one is in camp, to the same address. Please send with it, the name of members and their card numbers.

Those who are out of cards, or those who need membership cards will be immediately supplied when we are notified.

COOPERATIVE STUDY GROUPS

This discussion of the legal aspects of Cooperative of the Western States has been formulated to help study groups to become further informed.

It is further hoped that other persons interested in the objectives of this project will avail themselves of this material.

In compiling the following, it has been my desire to bring to the attention of those interested in cooperatives, that during the process of organization, a thorough understanding of its legal aspects is most essential and desirable for their protection.

Through the study of these materials, groups or persons may be stimulated further to educate themselves in this direction.

Objectives of the Study Groups are:

1. To educate interested people in the basic principles of Cooperatives.
2. To suggest to the study groups that any cooperative undertaking requires preparatory studies, since cooperatives develop only through understanding and education.
3. To stimulate the evacuees to actively participate in the planning of their future community cooperative background, during their stay in camp.
4. To develop an understanding which is necessary to assure the success of any cooperative undertaking.

For the use of study groups we have enclosed several interesting publications dealing with other phases of cooperatives. More materials and references may be furnished upon further inquiry. In addition to these, when subsequent needs of study groups arises concerning other phases of cooperative than the legal aspects, they will be treated in the like matter upon the expressed desires of the groups.

For your further information, we are disclosing personnels and groups who have expressed their desire and willingness to assist in forming study groups now and in camps. Tentatively, they are as follows:

Japanese Christian church members of Southern California which includes Los Angeles, Hollywood, Pasadena, West Los Angeles, Moneta, Long Beach, Garden Grove, Huntington Beach, Norwalk, Montebello, El Monte, Riverside, Coachello, Brawley, Calexico, etc. Many of the people of these areas have been already moved into either Manzanar or Santa Anita; nevertheless, we have sent over thousands of publications on cooperatives to Manzanar for their study groups, and we are sending materials to Santa Anita also.

Cooperative study materials are being sent to the following:

Taki Asakura, Santa Barbara.	James A. Yamamoto, Los Angeles.
Mark Hayashi, Los Angeles.	Lester Suzuki, Los Angeles.
K. Unoura, Los Angeles.	K. Kubota, Los Angeles.
D. Toriumi, Los Angeles.	John Yamazaki, Los Angeles.
Chuck Onoye, Salinas.	Frank Sakata, Watsonville.
Mits Kaneko, Bakersfield.	Hideo Hashimoto, Fresno.
Ernie Takahashi, Fresno.	Andrew Noda, Livingston.
S. Tanabe, Sacramento.	T. Nakamura, Sacramento.
K. Inoue, Stockton.	Henry Takahashi, Berkeley.
Haruo Najima, Oakland.	Yoshimi Shibata, Mt. Eden.
Bill Sasagawa, Palo Alto.	Shig Takahashi, San Mateo.
YMCA Group, San Francisco.	N. Calif. Christian Churches.

Besides the Christian groups, we certainly encourage other people of other religions, besides the Japanese we want to assure you that we have many Caucasian friends among us.

Those whom we have not contacted, but who would like to form study groups may write to the YMCA Bldg., 1530 Buchanan, S.F., whether you are in camp or not, and we will be glad to assist you with materials. Let us not wait until we are in camp, but form study groups now. Leave with your local Post Office your change of address when leaving for camp. This is important.

INTRODUCTION

Recently a special commission was sent by President Roosevelt to study the co-operative movements in Europe during the summer of 1939. Mr. J. Baker, a member of President Roosevelt's Inquiry on Cooperative Enterprise in Europe states: "There is no reason to believe that cooperative enterprises will not grow to considerable proportion in the United States in the next generation. It is a method or organization of business enterprises that has developed in the past century, parallel with great transport and communication systems."

Mr. Leland Olds, another member of the President's Inquiry stated, "Cooperative Enterprise might well prove to be the next step in the nature of evolution of the true pattern of American life."

Cooperation trains men in a way in which the good of society and not the selfish advantage of the individual is supreme.

Cooperative makes for peace in strengthening democracy by extending democratic processes from the political to the economic fields. The principal of democratic control runs through the cooperative movement from top to bottom. Its members know they cannot force decisions by buying up control or amassing proxies, but must instead rely on the democratic methods of education and persuasion.

(Cooperatives and Peace by Harold Fey)

Cooperatives may not at first glance appear to be a very effective channel to world peace, but experience shows that its possibilities are very great and are increasing rapidly as the cooperative movement itself develops a growing sense of awareness and responsibility for activity in behalf of world peace to add to its passion for social and economic justice, and it may offer a practical way to world peace.

In 1931 there were about 11,500 cooperative organizations in the United States, handling about one-fifth of the total amount of agricultural crops, with a value of \$2,500,000,000. By reason of what is called nonprofit cooperative corporations, the legal machinery permits the farmers to organize to pool their crops without personal liability and sell them as nearly as possible direct from producer to consumer, and thus secure for themselves and their families a greater share in the ultimate price paid for their products.

MEANING OF COOPERATIVES

The distinction between cooperation in the broad meaning of the word (working together for a common goal), and Cooperation as emblematic of the "Cooperative Movement", should be constantly borne in mind. It is true that cooperative enterprise always implies working together for a common goal. However, not every case of working together necessarily implies a "cooperative". The latter designation is commonly described as "association with economic aims formed by, and freely open to persons having needs in common, who have an equal voice in its management, make approximately equal contribution to its capital and business, and derive proportional services and benefits". This definition also comprehends all kinds of fraternal associations which are often referred to in law as cooperative organizations. If further restriction is deemed desirable, the word cooperative should be reserved only for organizations basing their activities on the so-called Rochdale Principles, variously stated by different authors, but essentially being as follows:

1. A Cooperation is primarily an economic enterprise.
2. Voluntary membership. A true cooperative becomes a pseudo-cooperative when membership in it is compulsory.
3. Democratic control, which well expresses itself in the rule "one vote per member" and "no proxy voting". This principle makes of a cooperative, a union of persons and not a union of capital, the latter only serving the organization. Thus, the difference in the amount of shares owned by individual members plays no role in voting.
4. Distribution of the surplus originating in the economic activity of an organization is in direct proportion to the participation of members, while the capital invested is rewarded for its services only by a fixed rate of interest; i.e., in consumer's cooperatives, the members receive their individual shares of the surplus in proportion to their patronage and not on the basis of their ownership of shares.
5. Sales at market prices (cooperatives are not "price cutters").
6. Religious and political neutrality. This is self-explanatory.

The application of the above principles results in the fact that, if compared with other types of business organizations, namely profit-motivated corporations, cooperatives differ from them in the following features:

<u>Features</u>	<u>Cooperatives</u>	<u>Corporations</u>
Membership	Unlimited	Limited
Voting	By individuals	By stock
Type of organization	Federations	Trusts
Method of expansion	Mostly educational	Promotion and advertising
Profits	No profits, but patronage	Dividends to stockholders
Return on capital	refunds to members Fixed percentage (usually moderate)	Unlimited

Persons investing capital in corporations often have no other concern in the activities of the organization than their practical interest in dividends. Contrary to this commercial attitude, persons joining a cooperative enterprise do so because they are principally interested in participating in and benefiting from the advantage of profitable monetary investments.

FROM EDITORIAL THE NEW YORK TIMES, MARCH 21, 1941

"It seems to me that the cooperatives have a great field in the future."

- Mrs. Eleanor Roosevelt

"If a vigorous cooperative movement and private business can function successfully side by side, that fact is in itself some assurance of a free competitive system, without which our democracy cannot hope to survive."

- Thurman Arnold
Assistant Attorney General

"I look on the Cooperative Movement as the first great step toward a full cooperative order. The cooperative order is the thing which is struggling now to be born in the world economy."

- Rev. E. Stanley Jones
World Missionary

"The cooperative movement is the ultimate democracy and the hope of peace and brotherhood among men..."

- Joy Elmer Morgan, Editor
Journal of the Nat'l Ed. Assoc.

"If your curves of growth continue as steeply upward as they have been in recent years the cooperatives will soon represent America's biggest business..."

- Alfred Bingham, Editor
Common Sense

"The Cooperative Movement offers a great opportunity to mobilize all the brains of mankind....When we learn to fight out our battles for brains not battles for bullets, we shall become masters of our own destiny."

- Dr. M. M. Coady
St. Francis Xavier University

"It is the greatness of the co-operative movement that makes it possible for a group to apply the principle of the Golden Rule."

- Toyohiko Kagawa

The cooperative system is a method of increasing prosperity open to those with little capital and, therefore, tends to increase social wealth; it is of higher mutual advantage to all those engaged in it; it provides greater security than the individual enterprise; and as concerns agriculture, it is a useful channel for the educational influence of the Government on the agriculturalist. For these reasons, it is regarded by governments in the light of said service, it is granted legal and fiscal privileges, and national credit is placed at its disposal.

ABSTRACTS OF THE LAWS

Pertaining to cooperatives in the United States

CALIFORNIA

TITLES OF ACT: Building and Loan Associations - Laws of 1931.

SOURCE: General Laws 1937, Act 986; Session Laws 1939, Chapters 525, 526, 528, 631.

Building and loan associations may be incorporated with shares or stock or both under the general corporations law (Civ. Code, sec. 277 et seq.) for the purpose as must be stated in the articles of incorporation, of encouraging "industry, frugality, home building and the accumulation of savings (among the members), the loaning of moneys or funds so accumulated," etc. All such associations are under the direct supervision of the building and loan commissioner, who is appointed by the Governor and who has sweeping powers. The act is one of the most comprehensive of all State enactments of this kind.

Before the articles of incorporation of such an association may be filed with the secretary of state, there must be attached thereto a certificate of approval of the commissioner. This is granted only after thorough examination of the applicants, their fitness to engage in the building and loan business, an itemized account of estimated receipts and expenditures for one year, a showing that a public convenience and service will be promoted and such other matters as the commissioner may require. Directors must own shares to the amount of at least \$500. Shareholders have one vote for each \$100 par value of shares held by them.

Detailed provisions are made for the kinds of shares to be issued, the types of investment certificates, the kinds of loans that may be made, the duties, obligations and liabilities of directors, officers, shareholders, employees, agents and salesmen. Stockholders are individually liable, equally and ratably, to creditors and may be assessed whenever necessary to do so. Complete report of all business conditions of an association must be filed with the commissioner annually and it must also have an annual audit by a public accountant. I must procure a license annually and if it has branch offices, separate licenses must be obtained for each. There may be a merger or consolidation of two or more associations and a conversion to comply with the Home Owners Loan Act of 1933. One of the amendments of 1939 provides for the conversion of a Federal savings and loan associations into a State building and loan association by vote of 51 per cent of the members (Chapter 527). Advertising of shares, stock and investment is rigidly restricted and an association shall not, through advertisement or other wise, imply that it is a savings bank or carries on a business in the nature of a savings bank.

The powers and duties of the commissioner are set forth at length. He may deny applications for charters, issue licenses and revoke and suspend them at his discretion. He must make an annual investigation of each association without previous notice, and he has the power to take possession of the property, business and affairs of the association if he finds that it is being conducted in an unsafe, illegal or injurious manner.

TITLE OF ACT: Cooperative Corporations - Laws of 1939.

SOURCE: Session Laws of 1939, Chapter 808 to be known as Title XXV of part IV of Division First of the Civil Code. (Sec. 633.1 et seq.)

Five or more persons may become a cooperative corporation for any lawful purpose. Before proceeding to do business the shareholders or members shall adopt by-laws providing for the management of the property, the regulation of the affairs, transfer of shares or memberships, calling of meetings, election of directors, number of members necessary to constitute a quorum, the method of distributing not earnings and savings and other necessary regulations. Every member is entitled to one vote and no more, regardless of the amount of shares held by him. The association has the right to purchase any share offered for transfer at a price of the book value as determined by the directors, and it may provide in the by-laws for the purchase of shares of any member who shall have failed to patronize the corporation during the preceding fiscal year to an amount specified. Voting by proxy is not permitted but where the corporation's membership covers so large an area as to make attendance at meetings inconvenient, districts may be formed, in which delegates may be elected to attend and represent their constituents and so vote for them.

The directors must annually apportion the net surplus-savings and earnings by first setting aside ten per cent as a reserve fund until it equals thirty per cent of the paid-up shares and this must be maintained as a minimum. A dividend, not to be exceeded by five per cent, may then be declared but no dividend shall be cumulative. Next, the directors may set aside such sum as the by-laws may provide, as an educational fund to be used in teaching cooperation. Finally, the directors may distribute all remaining surplus savings or earnings uniformly to patrons who are shareholders or members and in the discretion of the association, they may also make distribution to patrons who are not shareholders or members based in the rate of distribution may be made to nonmembers unless at least 50 per cent thereof is applied toward the purchase of shares. Any dividend may be in the form of capital stock of the corporation, in whole or in part.

All corporations formed under this act must use the word "cooperative" in their title. Injunction is the remedy provided for violation of any provisions of the act, and it is made unlawful for corporations organized under the act to carry on business contrary to or outside of the purpose for which it is formed. Such violation is made a misdemeanor with a penalty of \$500 or one year imprisonment or both.

TITLE OF ACT: Mutual Life and Disability Insurance Companies on the Stipulated Premium Plan, with Provisions for Assessments - Laws of 1935

SOURCE: Insurance Code, Section 10810 et seq.

Seven or more residents of the State may form a mutual corporation for the purpose of transacting the business of life or disability insurance on the stipulated premium plan. A contract of insurance on this plan is defined to be one "whereby a benefit is to accrue to a person named therein through the death of the assured, or his physical disability from accident or sickness, or for the payment of any sum of money as an annuity or endowment, if the benefit is conditioned, not upon fixed payments, but on the collection from time to time of stipulated premiums, with a provision requiring additional payment from insured members by assessments." This act does not apply to fraternal benefit societies or relief associations of lodges, churches, labor unions and workmen's compensation insurance companies.

No policy shall be issued until at least 1,000 persons have subscribed, in writing, agreements for each to be insured for a death benefit of at least \$1,000, if life insurance, or for a disability benefit of not less than five dollars per week if disability insurance; each subscriber has paid one full stipulated premium or assessment of not less than five dollars, the aggregate sum of the payments being at least equal to the largest benefit provided in any contract of insurance applied for; the insurer has deposited \$25,000 with the commissioner and has received his certificate of approval. Detailed provisions are set forth as to what must be specified in a policy and the matters to be considered by the commissioner in passing on the form of the policy. A reserve fund must be maintained that shall be not less than the minimum tabular reserves using the basis of the American Experience Table of Mortality, with interest at the rate of four per cent per annum.

TITLE OF ACT: Nonprofit Hospital Service Plan Corporations - Laws of 1937.

SOURCE: Insurance Code Section 11491 et seq. Session Laws of 1939. Chapter 523.

Three or more persons may incorporate without capital stock under the general corporations law (C. C., Sec. 277, et seq.) for the sole purpose of operating and maintaining a hospital service plan which does not contemplate pecuniary gain or profit to its members. The corporation may not do business until it has procured from the department of public health a certificate approving the hospitals with which it intends to contract for services for its subscribers. A hospital supported wholly or partly by taxation, except where it is the only one in the county where the corporation is located, or is maintained by a university or state college, is prohibited from contracting for services. After receiving the certificate of approval the corporation must obtain a certificate of authority for contracting for services. After receiving the certificate of approval the corporation must obtain a certificate of authority from the commissioner of insurance for the establishment, maintenance and operation of the plan. The commissioner must be satisfied that the hospitals are of the required standard, that they have sufficient beds to render service to the subscribers, that the contracts to be made with subscribers are equitable and that the dues, rates, and other charges are such as to enable the corporation to take proper care of the

members and not result in profit. A reserve fund must be established, starting with \$10,000 for 2,500 subscribers or less, and increasing according to a stated schedule until \$20,000 is required for a membership of over 5,000. The corporation is deemed insolvent if its reserve fund becomes less than its quota. The form and terms of the contract are explicit in the statute and the contract must contain in readily legible type these provisions: "Nothing in this contract shall in any way restrict or interfere with the right of the subscriber to select the contracting hospital or to make a free choice of his attending physician, who shall be the holder of a valid and unrevoked physician and surgeon's certificate and who is a member of, or acceptable to, the attending staff and board of directors of the hospital in which said hospital services are to be provided and rendered." "Hospital services" may include maintenance and care in hospital, nursing care, drugs, medicines, physiotherapy, transportation, material appliances and their upkeep and indemnification of the beneficiary or subscriber for the cost and expense of professional medical service rendered or during hospitalization. These corporations shall not own or operate any hospital nor engage in any business other than that for which they are incorporated.

COLORADO

TITLE OF ACT: Assessment Accident Associations - Laws of 1913.

SOURCE: C. S. A. 1935, Chapter 87, Sections 92 and 93.

Twenty-five or more citizens of the State may form a corporation to transact the business of casualty insurance on the assessment plan, but no such corporation shall begin to do business until a guaranty fund of at least \$10,000 in cash or approved securities has been deposited with the insurance commissioner and at least 200 persons have subscribed in writing to be insured and each has paid in at least one monthly assessment or premium.

TITLE OF ACT: Cooperative Marketing Associations - Laws of 1923.

SOURCE: C. S. A. 1935, Chapter 106, Sections 14 to 15.

Eleven or more persons, a majority of whom are residents of the State, engaged in the production of agricultural, horticultural, viticultural, forestry, dairy livestock, poultry, bee and any farm products, may form a nonprofit cooperative corporation with or without capital stock to engage in the marketing, selling or any activity in connection with the products of its members. It shall not handle products of non-members in larger volume than those of its members. This act follows closely the provisions of the standard act. The articles of an association organized without capital stock must state if the property rights of members are to be equal or unequal, and if unequal, the general rule to be applied to all members by which rights are to be determined. This provision may not be amended or repealed except by written consent of three-fourths of the members. No stockholder may own more than one-twentieth of the common stock and the by-laws may prohibit the ownership to any amount less than one-twentieth. The one member-one vote rule is included but proxy voting is not mentioned. Cumulative voting is prohibited. A stock association may issue preferred stock with or without the right to vote. Such stock may be sold to anyone, but the by-laws must contain a regulation that the transfer of common stock to persons not engaged in the production of the agricultural products handled by the association is prohibited. The provisions relating to the marketing contract are standard, with the period limited to 10 years.

TITLE OF ACT: Corporations Not for Profit - Laws of 1931.

SOURCE: C. S. A. 1935, chapter 41, Sections 172 to 176.

Three or more citizens of the United States may form a corporation for any lawful purpose, other than pecuniary profit, by filing with the secretary of state a sworn certificate in which is stated the particular business and objects for which it is formed and the names of the directors, trustees or manager. A copy of the certificate of incorporation is recorded in the office of the recorder of deeds in the home county. These corporations have all the powers of ordinary corporations except that of declaring profits. "Associations and societies which are intended to benefit the widows, orphans, heirs and devisees of deceased members thereof, and where the members shall receive no money as profit or otherwise, shall not be deemed insurance companies."

IDAHO

TITLE OF ACT: Cooperative Marketing Associations - Laws of 1921.

SOURCE: Code 1932, Sections 22-2001 to 22-2028; Session Laws 1933. Chapter 212.

Five or more persons engaged in the production of agricultural, horticultural, viticultural, forestry, dairy, livestock, poultry, bee and any other farm products may form a nonprofit cooperative corporation, with or without capital stock, for the purpose of producing, marketing, selling, or in any way processing these products or any by-products thereof, or for the purpose of hiring, using, manufacturing, selling or supplying to its members machinery, equipment and supplies, or in the financing of any of these activities; provided that the association shall not do business with nonmembers in an amount to exceed that done with members.

TITLE OF ACT: Land and Building Corporations - Laws of 1887.

SOURCE: Code 1932, Sections 29-1301 to 20-1301; Session Laws 1933, Chapter 63-1935, 127 - First Special Session, 1935, 54 - 1937, 26 and 117.

Three or more persons of full age, at least two-thirds of whom are citizens of the United States, may form a corporation with or without capital stock for the purpose of erecting buildings and making improvements on real estate of its members and promoting thrift among its members by the accumulation of savings and funds, and by lending the accumulated funds to its members on real estate. By majority vote of shareholders and members such corporation may convert itself into a Federal savings and loan association.

TITLE OF ACT: Nonprofit Cooperative Associations - Laws of 1913.

SOURCE: Code 1932, Sections 29-1001 to 29-1005, 29-139.

Five or more persons may form a cooperative corporation, without capital stock, for any purpose where pecuniary profit is not their object.

The Abstracts of the laws concerning cooperatives in various States were taken to cover various phases of the proposed C. P. M. Cooperative, which the members will be required to understand. We cannot overlook the legal phases of Cooperatives; thus, we have covered such important issues covering the following:

- Building and Loan
- Cooperative Corporations
- Insurance
- Hospitalizations
- Accidents

Cooperative marketing, etc., of California, Colorado, and Idaho, since we may be settled in one of these three states.

LEGAL PHASES OF COOPERATIVES.

HULBERT, L.S., asst. counsel, Farm Credit administration. Important legal considerations of cooperative organization and operation. In: American cooperation: proceedings, (American Institute of Cooperation), Washington, D.C., 1935, pp. 149-172. Av. in Col., N.Y.P.L., N.Y.U.--WA.

One of the first things to be determined is in which state the association shall be incorporated. It is best to incorporate in the state in which the association will be doing business. If the proposed cooperative association will operate on a national scale, it is desirable to incorporate in a state whose laws will permit the holding of meetings of members and of directors in any state of the Union. In general, the cooperative and general incorporation statutes of the various states will not permit holding of meetings in any state other than that in which the corporation is organized.

A highly important matter that should be given careful consideration in incorporating a cooperative association is the basis on which stockholders or members shall vote. The basis of one man-one vote was generally accepted as fair. This is the common law rule with respect to voting in corporations. During the last few years there was a tendency to amend cooperative statutes so as to permit members or stockholders to vote on a patronage basis. Most of the cooperative statutes provide that a stockholder shall be entitled to only one vote regardless of the amount of stock he may hold.

Cooperative associations are frequently formed in pursuance of so-called "organization agreements," prepared by those who are interested in forming an association for the purpose of getting farmers in the area concerned to sign in advance of the actual incorporation. In general these agreements provide that the farmers who sign them will become members or stockholders of an association that will be incorporated in the event that a certain number of farmers, or those controlling a certain amount of the agricultural products involved, sign the agreement, and that they will deliver their products to the association that is formed for marketing in accordance with a purpose that is made a part of the organization agreement itself.

The articles of incorporation should strictly conform to the requirement of the statute under which the association is to be incorporated. The following are indispensable requisites to the formation of an association:

- (1) The names of the incorporators, all or a majority of whom must be residents of the state and must be producers. The number of incorporators must be at least three, and in some of the states as many as 20 are required. (Wherever the evacuees will settle, they will become residents of that State).
- (2) The name of the corporation. Under some of the statutes it is necessary to include the word "cooperative" in the name or some corporate designation, such as "corporation" or "incorporated."
- (3) The purposes for which the association is formed. This provision of the articles of incorporation should be drawn with great care.
- (4) The place where its principal business will be transacted.
- (5) The term for which the association is to exist.
- (6) The number of directors that the corporation will have, and the names of the incorporating directors must be stated in the articles of incorporation. It is best to have the number of directors stated in the by-laws only and not their charters thus avoiding considerable trouble and expenses.
- (7) If an association is organized without capital stock (under many of the cooperative statutes) it is necessary to state in the articles of incorporation whether the property rights and interests of each member shall be equal or unequal; in the latter instance, these rights being determined on the basis of their patronage.
- (8) If an association is organized with capital stock it is necessary to state in the articles of incorporation the amount of such stock and the number of shares into which it is divided, and usually the par value thereof. The articles of incorporation should state all restrictions on membership or on the rights of stockholders in the case of an association formed with capital stock. In order to obtain exemption from Federal income taxes the holders of preferred (non-voting) stock should be barred from participating in the profits of the association upon dissolution or otherwise beyond the fixed dividends not exceeding the legal interest.

Note: (Mr. C. K. Bullard, general counsel of the Texas Cotton Cooperative Association contended that experience has demonstrated that the capital stock plan is the better type of organization for use, because it will enable the group to more speedily build the capital structure so essential to successful operations, and assure each member of a definite financial interest in his association).

- (9) The articles of incorporation must be subscribed by the incorporators, who also must sign the articles of incorporation. The statutes provide that the articles may then be filed with the Secretary of State.

By-laws cover such matters of routine operation as:

- (1) The time, place and manner of calling, holding, and conducting its meetings.
- (2) The number of stockholders or members constituting a quorum.
- (3) The right of members or stockholders to vote by proxy or mail or both, and the condition, manner, form and effect of such votes.
- (4) The number of directors constituting a quorum.
- (5) The qualifications, compensation, and duties and terms of office of directors and officers, the time of their election, and the like.
- (6) The qualifications of members or stockholders of the association and conditions precedent to membership or ownership of common stock, and the method, time, and manner of permitting members to withdraw or the holders of stock to transfer their share-holdings.
- (7) The method of filling vacancies in the board of directors.
- (8) The appointment of an executive committee.
- (9) Provisions for auditing the books and records of the association and any other provisions that are not forbidden by statute and which are reasonably necessary to the proper conduct and management of the business by the association.

In the absence of an "organization agreement," the board of directors should adopt a marketing agreement as one of their first acts. Under the cooperative statutes, a marketing agreement may be of the "purchase and sale" type, under which title to the products will pass to the association, or it may be of the agency type to represent the members in merchandising.

OTHER LEGAL ASPECTS

Most of the Cooperative Statutes limit the corporations' activities to the handling of agricultural products of its members. However, attempts were made by some of the States to amend their Statutes so as to enable such corporations to handle nonmembers products to an amount equal to that of its members. The Federal law known as the "Capper-Volstead Act" passed in 1922, permits the handling of nonmembers. This feature of the Law should be borne in the mind in preparing the articles of incorporation of an association, and if it is desired to deal in nonmembers products, the CHARTER should so state, provided the State statutes permits it to do so.

The CHARTER (Constitution) of a corporation is usually called the Articles of Incorporation, and it may be amended by a vote representing a majority of the members at a regular meeting of the members, or at a special meeting called for that purpose; provided such amendment must first be approved by two-thirds of the Directors and then submitted to the members.

It is further necessary that new cooperative organizations secure a charter from the proper state authority under the Cooperative Law in order to be recognized as a Cooperative Association and at the same time its entire legal setup must be in accord with the Federal statute, known as the Capper-Volstead Act. It is not necessary to incorporate the statute powers in the charter, since the statute automatically gives such powers without them being set forth in the Articles of Incorporation.

The by-laws must be adopted by the members, or stockholders usually at the first meeting after the charter has been filed by the State. The Cooperative law provides that a majority vote of the members or stockholders is necessary for the adoption of by-laws. The by-laws may be amended or repealed at any time but only in accordance with the statutes, except that vested rights shall not be affected. A by-law which is in violation of a State statute, public policy or which disturbs vested rights, is null and void. The law for cooperative associations should be very simple and yet very permissive. It must permit action along the line of common sense. It must be broad enough to enable the cooperative movement to meet the most unusual situations, for nobody is wise enough to know future economic and social changes. Also by-laws must be general in its application and not aimed at a particular member. The members and officers are conclusively presumed to know what the by-laws contain and hence are bound by them. In a practical and non-legal sense, the members of an association constitute the association.

The most essential feature of a successful cooperative association is adequate volume of business, which is secured by marketing contracts. Prior to enactment of cooperative statutes by the various States such contracts were declared by the courts as illegal, holding that they violated the Anti-Trust laws of the State; and the courts still take that view where an organization is not incorporated under the cooperative statutes. Marketing contracts may be either Agency, or Purchase-and-Sale Contracts. The latter are the most universal and desirable because they pass title to the commodity immediately upon delivery, which makes it easier to finance. The various cooperative statutes usually limit the term of a marketing contract not to exceed 10 years. However, many of the cooperative associations provide for withdrawal at specified periods in the contract, or for its automatic renewal from date of termination. Agency contracts are not desirable because they leave the sale of the commodity in the hands of the members and, besides, do not permit the association to finance its operations as freely as purchase-and-sale contracts, where the title of the commodity passes from the member to the association on delivery.

The most important meetings are the first meeting of the members or stockholders, and of the Board of Directors after incorporation. At the first meeting of the members or stockholders the by-laws are usually adopted and the Board of Directors elected; it is the first meeting of the Board of Directors when the president, vice-president, secretary and treasurer, and other necessary officers are elected for the first year; when marketing contract and application for membership and membership certificates are adopted. It is important that proper record was made. Any meeting held without legal notice as provided in the by-laws or statute, is not binding on the corporation, unless it is unanimous, in which case a written waiver of such notice should be executed by all the members, and made part of the minutes.

The Cooperative Statutes provide that the affairs and business of an association shall be managed and controlled by a Board of Directors who elect from their number a president and one or more vice-presidents and a secretary and treasurer. Acts when committed within the scope of their employment, are binding on the association. They are all considered as officers and agents of the association. Where an officer or an agent exceeds his authority under the law, the charter, and by-laws, he will be personally liable. A director or officer of an association is personally liable for gross negligence in the discharge of his duties, as well as for misappropriation of the funds of the association. Hence, it is important that officers be fully advised as to their duties and responsibilities.

An association may be formed for the production, marketing, buying or selling of agricultural products, or the manufacturing or marketing of the by-products thereof; for the manufacturing, buying for and supplying to its members of agriculture; and household supplies for generating and distributing electrical energy and furnishing telephone service to its members; or for financing any of these activities for its members. An Association may also be organized to engage in seed and crop improvement, soil conservation, rehabilitation, etc.

Cooperative Legislations.

As far as the anti-trust laws are concerned, the cooperative organization is acting as the agent for its members in marketing their products regardless whether the contract is one of agency or of sale. The courts (looking at the form of organization from the anti-trust standpoint) will consider at all times what an organization is doing and not what it is on paper. A cooperative to all practical intent is an agent and not a purchaser as far as the anti-trust laws are concerned.

The object of the anti-trust law is to maintain at all times

- a. free competition;
- b. fair competition;
- c. real competition; and
- d. reasonable prices to the consumer.

The cooperative association as organized today contemplates a steady market and a reasonable return to the producer. The anti-trust laws contemplate the protection of the public from exorbitant and unreasonable prices; as particular market, does nothing more than attempt to steady the market and secure for its members a reasonable price, its actions cannot be questioned. The moment it does more by securing for its members an unreasonable price and charging the public an exorbitant price, it violates the anti-trust law.

No agreements should be made with non-members which directly restrain trade, or tend to limit, fix, control, maintain or regulate the prices of commodities handled in the general market.

The Capper-Volstead Act of 1922, was drafted to permit cooperative organizations to operate in interstate commerce, without violating the federal anti-trust laws, merely because their forms of organization enabled producers to act collectively in marketing their products.

Taxes upon the property of a cooperative association do not differ insofar as the state is concerned from those imposed upon other individuals or corporations. The Federal income tax law which is the only Federal tax statute affecting the ordinary shipping association, requires careful attention. The 1926 Revenue Act exempts associations organized and operating on a cooperative basis for the purpose of marketing the produce of members or other producers and turning back to them the proceeds of sale, less the necessary marketing expenses, on the basis of either the quantity or the value of products furnished by them. The exemption extends to associations having capital stock, unless the dividend paid upon such stock exceeds the legal rate of interest in the state of its incorporation, or unless entitled to exemption it is necessary that all members be producers, and that the business done with nonmembers be less in volume than the business done with members. In order to secure exemption, it is necessary for the association to make a return to the revenue department. If found to be entitled to exemption, this will render future returns unnecessary.

Statutory regulation on employment of young workers.

The cooperative societies are instructed that, in the distributive trades, employment of children under 12 years of ages is absolutely prohibited. From 12 to 14 years, employment is prohibited before 6 in the morning and after 8 in the evening. No child shall be permitted to lift or carry or move articles so heavy as to cause possible injury.

Voting Rights

Voting rights must be the same for all members, but the rules may prescribe a minimum age, or a minimum period of membership for voters.

(Advantages of cooperatives)

There are certain definite advantages to be derived from adopting a cooperative form of organization which conforms both to state and Federal laws. The following advantages are:

(1) Associations meeting the conditions of the Capper-Volstead Act may affiliate with regional associations which are stockholders in the Farmers National Grain Corporation and which, in this way, receive the benefits bestowed by the agricultural marketing act.

(2) Producers' Cooperative Associations are exempt from the United States Anti-Trust Laws. Many states also exempt such associations from their own Anti-Trust Laws.

The rights and liabilities of the members of the Association may summarized as follows:

Rights:

- (1) Right to take part in the affairs of the society by attending the general meetings and voting at them.
- (2) Right to elect the committee of management and officers of the society.
- (3) Right to call a general meeting with the assistance of other members.
- (4) Right to partake in the benefits the society offers; to have loans subject to his credit and on terms common to all.
- (5) Right to deposit his money in his society.
- (6) His share or interest is exempt from attachment.
- (7) Subject to certain conditions, he has the right to transfer his share.
- (8) To choose and to remove the directors of an association.
- (9) To adopt or change its by-laws.
- (10) To require the officers and directors of an association to keep within the law, the charter, by-laws, and marketing contracts.
- (11) To hold the officers and directors accountable for any losses suffered by members by reason of any departure.
- (12) Right of members to acquire products from members by purchase or as agents, or in other ways as the by-laws and contracts may provide.
- (13) Right of members to buy products from nonmembers.
- (14) The right to establish reserves.
- (15) The right to borrow money from the banks.
- (16) The right of any member to serve as a cooperative director.
- (17) The right to publish local news and materials for entertainments and for education, and members as well as nonmembers may subscribe to such publications.
- (18) The right to have equal voice in the affairs of the society.
- (19) Right to nominate a person to whom payment may be made on his death.
- (20) To inspect the books and other papers of the society except the deposit and loan account of any other members.
- (21) To appeal against the dissolution order of the society.
- (22) To share the profits when profits are divided.
- (23) To institute proceedings against the committee or officers for their defaults.
- (24) To withdraw from the society.
- (25) In conjunction with other members, to have the society dissolved and its affairs concluded.

Liabilities:

- (1) To contribute to the assets of the society.
- (2) To be liable for the debts of the society for a period of two years after withdrawal from the society.
- (3) His estate is liable for the debts of the society for a period of one year from his death.
- (4) He is liable to the Government for Government dues.
- (5) In the case of an unlimited liability society, he has only one vote irrespective of his interest in the society. In the case of a limited liability society he may have as many votes as the by-laws allow.
- (6) He must vote personally and cannot vote by proxy unless permitted to do so by the by-laws.
- (7) To have his disputes with other members or with the society decided by reference to the Registrar and not by the ordinary courts.

Laws which are made applicable to corporations formed thereunder, and of the articles of association or incorporation filed thereunder, or the charter of certificate of incorporation granted by the court or an officer in compliance with its terms; and its powers, rights, duties and liabilities are determined accordingly. An association must confine its operations to those activities that are authorized by its charter, otherwise the state can prevent the doing of unauthorized business or even revoke the charter.

Incorporation of Cooperatives

Most of the successful organizations in this country and in Europe are incorporated. Incorporation gives the society legal standing and continuance of the society; officers may die and members depart, but the incorporation continues during the life of its charter or until legally dissolved. The incorporated society is stable, while a loosely organized company or partnership is highly unstable.

The chief purpose, however, is to limit the liability of the shareholders. The incorporated society is itself a legal person; entirely apart from the persons and property of the men who compose it. The cooperative corporation may incur debts, may sue and be sued without in the least affecting the shareholder, except as to the value of shares he purchased. The incorporated company owns only its capital and its property or undivided profits - its assets. Only these assets are liable; the corporation has nothing else. The property of the individual shareholders cannot be touched, of course the cooperative corporation usually reserves the right to assess its shares up to a certain limit in case of loss.

- (3) Such organizations are eligible to obtain loans from Federal Intermediate Credit banks.
- (4) Producers cooperative associations which meet the conditions of the United States Revenue Acts are exempt from paying Federal income taxes in regular course.
- (5) Benefits are extended to cooperative associations by the laws of most states. In many states, associations incorporated under the cooperative marketing laws are not required to pay franchise, stock, or income taxes.

Cooperatives cannot be incorporated under either the Capper-Volstead Act or the Agricultural Marketing Act, but must be incorporated under the laws of a State or Territory. Federal statutes merely specify the requirements which associations must meet in order to obtain certain benefits or exemptions.

The corporation is a creation of the law which the law recognizes and treats as a distinct thing for business purposes. It is organized by individuals known as incorporators, but legally it is as distinct from the individuals who brought it into being as the individuals are from each other. The principal characteristics of a corporation are five in number:

- a) Its right of perpetual succession;
- b) To sue and be sued in its own name;
- c) To exercise the rights and privileges of a natural person within the scope of its charter;
- d) To incur independent obligations with limited liability on the part of the stockholders or members; and
- e) To issue transferable shares of stock as evidence of the interests of the stockholders in the corporation.

With few exceptions (as in the case of certain banks), after the stock has been fully paid for, the shareholder is neither liable to assessment by the corporation, nor to action by its creditors. This is the chief advantage to members of the corporate organization, and the one which more than any other factor has contributed to its growing use.

Legal Aspects on Refunds

Net savings of associations shall be distributed at least once a year by the directors or members of the cooperative. They shall be apportioned as follows:

- (1) 10% shall be paid into a reserve fund until it equals at least 50% of the paid-up capital. (not definite)
- (2) Interest on dividends shall be paid on stock, not to exceed 3 or 4% a year.
- (3) Such sums as specified by the articles may be allocated for the general welfare of the members.
- (4) The remainder shall be paid to the patrons in savings returns. Both members and non-members shall be entitled to these returns, based on the amount of their patronage, but in the case of non-members such savings shall be allocated only on request, and on evidence of the amount of their patronage. It shall then be credited towards the payment of the membership fee or the minimum amount of stock required for membership. Undistributed savings returns of non-members (after a certain period of time) shall be paid over to the educational fund of the association.

On voluntary dissolution, the assets of an association shall be used to pay its debts; to return the par value of its stock and any amount paid in on subscriptions; and to pay savings returns credited towards stock or membership. If any assets still remain they should be distributed in either one or both of the following ways:

- (1) On a patronage basis among patrons who have been members or subscribers any time during the past two years;
- (2) As a gift to another cooperative association or non-profit enterprise.

Summary

In summarizing, we can confidentially say that many legislations have been in the interest of cooperatives to develop them along sound legal lines. The legislatures of most of the states enacted a somewhat uniform set of laws, providing for the cooperative agricultural organizations. Many of these statutes also exempt cooperative marketing associations from the provisions of the state anti-trust laws. In different parts of the country, the courts are upholding and recognizing the position taken by the cooperative organization, but only as it applies to the particular district. At present, the cooperative statutes have given to financially limited groups (as the evacuees) an institution well suited to their needs, in addition to facilities for an effective organization equal to, but not greater than those enjoyed by other classes, groups, or industries.

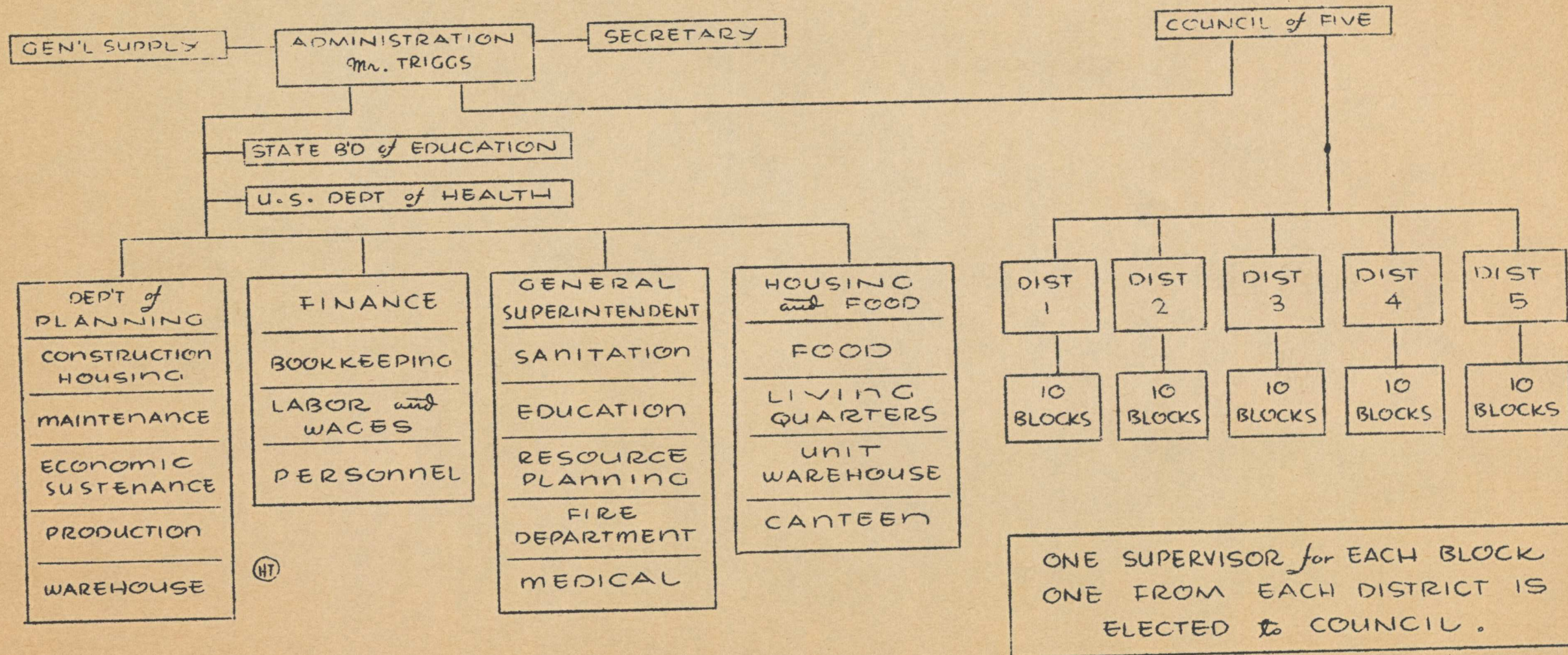
Thus, cooperatives have been accepted as an active institution of present-day business; that no set formula can be laid down for the regulation of cooperative activities, but rather regulations must be made to meet existing circumstances and conditions as such arise in every day American life.

Yours very truly,

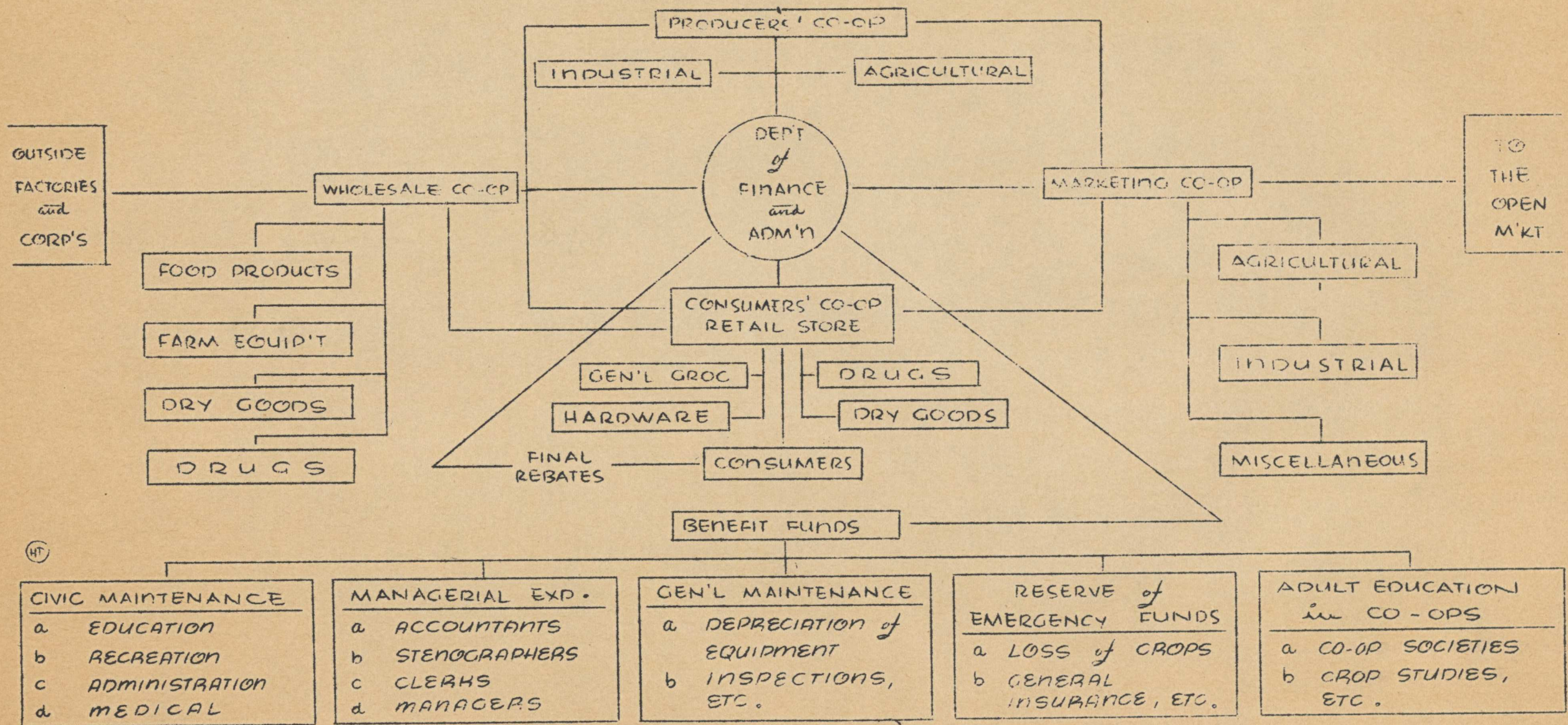
Hi Korematsu, Chairman- Committee on
C.P.M. Cooperative Farm Inland Project
1530 Buchanan St. S.F. Calif.

FOR YOUR INFORMATION WE HAVE ENCLOSED

MANZANAR RECEPTION CENTER - ADMINISTRATIVE PLAN (SUBMITTED by Mr. TRIGGS)



C.O.P.M. CO-OPERATIVES-INLAND ASSOCIATION



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MYTHS AND FACTS
ABOUT
THE JAPANESE AMERICANS

Answering Common Misconceptions
Regarding Americans of Japanese Ancestry

DEPARTMENT OF THE INTERIOR
WAR RELOCATION AUTHORITY
Washington, D. C.

April, 1945

C.P.M. COOPERATIVES - INLAND ASSOCIATION - WORKING PLAN ***

FARM SECURITY ADMINISTRATION

FEDERAL ADVISER
APPOINTED by F.S.A.
COOPERATIVES • AGRICULTURE
INDUSTRY • ADMINISTRATION

BOARD of DIRECTORS

PRESIDENT • SECY • PUBLIC RELATIONS
SIX VICE-PRESIDENTS and DIRECTORS
of AGRICULTURE • HEALTH & SANITATION
FINANCE • SOCIOLOGY • INDUSTRY
HOUSING & CONSTRUCTION • APP'D & ELECTED*
2 OUTSIDE DIR'S APP'D by PRES & VICE-PRES.

BUREAU of ADMINISTRATION

COORDINATING COUNCIL (5 MEMB)
APPOINTED and ELECTED*
THREE TECHNICAL ADVISERS
APP'D by COUNCIL (TERMS INDEF.)

BUREAU of FINANCE

CREDIT • INSURANCE
LOANS • SAVINGS and
INVESTMENTS

PERSONNEL BOARD

SEVEN MEMBERS
APPOINTED and ELECTED*

GENERAL MAINTENANCE & INSPECTION of ALL DEPTS

THREE MEMBERS
APPOINTED and ELECTED*

BUREAU of AGRICULTURE

ADVISORY STAFF
EXPERIENCED, PRACTICAL
FARMERS, ETC.

SUPERVISING STAFF
COLLEGE GRADUATES
FARMERS, ETC.

WEATHER
SOIL CONSERVATION
ENTOMOLOGY
and
BACTERIOLOGY
ENGINEERING
and
IRRIGATION
DAIRY, LIVESTOCK
and
POULTRY
RESEARCH
PLANT BREEDING
and
GENETICS
HORTICULTURE
and
MISCELLANEOUS CROPS

BUREAU of HEALTH and SANITATION

Cooperative
HOSPITALIZATION

DOCTORS, DENTISTS
OPTICIANS, NURSES

DRUGS

MEDICAL FACILITIES

HEALTH INSPECTION

BUREAU of COMMERCE

Cooperative SHIPPING
AGRICULTURE & INDUSTRY

Cooperative MARKETING
AGRICULTURE

Cooperative WHOLESALING
INDUSTRY

Cooperative RETAILING
AGRICULTURE & INDUSTRY

BUREAU of SOCIOLOGY

EDUCATION

RECREATION

RELIGION

BUREAU of INDUSTRY

FROZEN FOODS

DRIED FRUITS
and
VEGETABLES

DRY GOODS

CERAMICS

HERB PRODUCTS

INSTRUMENT
ASSIMILATION

BUREAU of HOUSING and CONSTRUCTION

ARCHITECTURAL
and
ENGINEERING STAFF

BUILDING TRADES

CARPENTRY
PLUMBING
ELECTRICITY
ETC.

* ROTATION SYSTEM

ONE-HALF of MEMBERSHIP
NEWLY ELECTED EVERY YEAR

C.P.M. CO-OPERATIVES - INLAND ASSOCIATION

