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fund*
Gila Co-op

US War relocation authority *Rivers*
Gila corp. enterprises
mine.
A CO-OP EDUCATIONAL PROGRAM

Within this country there are some 2,500,000 people, members of Co-operative Societies which are quietly building a new structure. They are not fanatical about Co-operation or too-inclined to waste time in criticizing profit business for it is plain common sense to them that this "Business for Service, Not for Profit" is not going to be built by anyone but the people who will receive the benefits from this type of organization. They realize if they are industrial worker, that increases in pay are often swallowed by price increases throughout the business world. They realize that the job of holding wages up is no more important than the job of holding prices down, and so they organize Co-operatives. The leaders of this movement have clear-cut ideas and plans which wherever they are put into effect expand ownership and strengthen democracy. The annual business of Co-ops in America already totals \$600,000,000.

The long uphill road from 1844 is strewn with examples of Co-operative that have failed or are not progressive, because they were built by advertising methods without an educational foundation. It's not enough to go to people and win their assent to Co-operation by a brief talk. It's not enough for them to go to membership meetings and raise hands on issues. If they are Co-operators they should understand the principle of continuous expansion as it affects the future of their society, - expansion which brings new responsibilities and will demand educated voting.

The people of Gila who are genuinely interested in the Co-operative stores for what it represents as well as its dividend value of the moment are needed as leaders in the educational program.

The past few months Gila Co-operative Enterprises, Incorporated has assumed importance among the Co-operatives of America. Under unique conditions, the business has expanded and the officers are worthy of praise for their success in the face of the problems existing in the swiftly changing business scene. Up to the present time the officers have been busy with legal and technical problems of organization. With these things successfully attended to the educational program now assumes its proper importance.

Gila Co-op
A Co-op Educational Program (Cont'd)

The Educational Department that has been opened by the Board has an interesting job ahead, and it is going to need your help. That job is to bring together, in every section of the eight into which it has divided Canal and Butte, people with imagination and interest enough to carry this idea to our 13,000 residents. There is no need for stepping lightly. Men and women have to be brought face to face with this new idea that means so much to the Gila of today and the America of tomorrow. Without the broad picture of Co-operation at work in a democracy, our Co-operative has little meaning and lacks the dynamics Hugo Wolter pointed out in his recent article in the Co-op news.

You, the people, must be ready to do your part in the program. You must take responsibility to the extent of getting together with your neighbors to thrash out your ideas and study the destinations of Co-operation, its application to every phase of community life.

We need to use every means for education. Moving pictures of Co-operative in action, debates on Co-operation, lectures, rallies of our membership. It will be slow work but, we know it can be accomplished if we put our shoulders to the wheel and push together.

WHAT OTHER CO-OPERATIVES ARE DOING ABOUT EDUCATIONAL PROGRAM

CONSUMER CO-OP ASSOCIATION

The Consumer Co-op Association, regional wholesale has an educational staff of three full time men. These men work throughout the area served by the wholesale and assist the local societies with their educational programs. They hold councils and short courses with the local leaders, who then carry on the program in their communities. Each year a four weeks extension course in Co-operatives is held in Kansas City and an employees training programme has been carried on regularly with groups in Scottsbluff and Plattsburg. A newspaper is published weekly, and moving pictures are in constant use.

Conferences are held with representatives and local sociological and economic teachers work in close harmony. Short courses are given at various schools for young people and at boys' camps.

The Co-op paper has a circulation of 94,575.

FARM BUREAU SERVICES INCORPORATED--LANSING, MICHIGAN

This organization has 159 stockholders spread over some 68 counties of the state.

This society is also a member of National Co-operative Incorporated of Chicago. Although there is no mention of the activities of an educational program in the annual report of the directors, they do have a Co-op paper--Michigan Farm News--and a public relations department which was subsidised by the stockholders to the tune of \$17,080.

CENTRAL CO-OP WHOLESALE--SUPERIOR, WISCONSIN

A booster drive organized by the C. C. W. and carried out by local committees resulted in 64 additional members. 600 people participated in district conferences. Circuit schools are regularly conducted among employees. The C.C.W. has a strong educational department. This department assists each local in the organization of its educational department, and has a small army of speakers and organizers

Gila Co-op
What Other Co-operatives Are Doing About Educational Program. (Cont'd)

continually on the road.

Co-operative Youth Courses are held at the Co-op Park, Beuile, Wisconsin each summer and promote one week institutes for young and old throughout the territory. Also a 10 weeks training school is carried on for Co-op employees each fall. The C. C. W. hires its personnel from within its ranks whenever promising people prove their ability. The Co-op education received in schools, and through the various activities outlined above, give the members a chance to learn Co-op business from the ground up. Women's groups and Co-op Youth leagues have 3,100 members. Two weekly journals "Co-op Builder" and "Finnish Co-op Weekly" are issued from the C. C. W. Printing Department. The importance of study groups has become evident. Office and field staff were increased during the past year and a quota of 250 clubs was set to be organized by April 1, 1942. The study group drive brought quick response, and by the date set 300 groups were in operation studying current economic and social problems, Co-op principles, methods, and local questions. Other regionals have adopted this form of education and thousands of groups are operating in a nation wide program.

Directors schools and employees training courses are regularly held.

C. C. W. development has been steady and their ground work solid.

OHIO FARM BUREAU--Murray Lincoln

The Co-ops of Ohio under Murray Lincoln have thousand of people studying the problems that face them and are getting results. Co-operators, like soldiers, must advance to their planned objectives. If a general made careful plans for the taking of a position and then without telling his men, took his small staff and sneaked in, could he hold it against the attacks of his enemies when his army was dreaming a few miles behind? Neither can the officials of a Co-op make advances without loyal membership absolutely certain of where they want to go. This is doubly important in Co-operatives, for plans must be developed and supported by the people for whose benefit they are being put into operation.

THE CO-OP LEAGUE OF THE U. S. A.

This is the fountain head of the Educational Program for the United States. It has some 18 Regional Wholesales in its U. S. membership, and others in Canada. Auditing, Medical, Design Services are available. Rochdale Institute holds regular courses in Co-operation. Co-operators from all parts of the Western Hemisphere may be found in these sessions. Thousands of pamphlets are issued on pertinent topics relative to Co-operation, and contact maintained with Co-ops all over the world.

Conclusion:

These few examples will serve to prove the value all successful Co-ops have placed on the Educational Program.

What Other Co-operatives are Doing About Educational Program. (Cont'd)

The Co-ops that have failed have themselves to blame. The membership just did not keep up with the development. Being ignorant of the basic principles, questions of the moment, loose in control, without the broad picture of the Co-op movement, they fumbled the ball.

This is the fountain head of the Educational Program for the United States. It has some 18 Regional Wholesales in its U. S. membership. Bad management was allowed to continue to weaken the business set-up, members were easy prey for competitors who lured them away from their ship, and others in Canada. Auditing, Medical, Design Services are available. Rochdale Institute holds regular courses in Co-operation. This condition multiplies like germs of a disease and the Co-op finally folds up. The cure for the disease is an Educated Co-operators from all parts of the Western Hemisphere may be found in Membership. Every successful Co-op has a strong educational program, these sessions. Thousands of pamphlets are issued on pertinent topics and a wide awake membership, that keeps its finger on the affairs of relative to Co-operation, and contact maintained with Co-ops all over its local society, and through its representatives on the regional and national trends of the developing movement.

Conclusion:

The Co-op League says that the Central Co-op Wholesale at Superior has "the first complete Co-operative Educational Program developed by a Regional Association."

What Other Co-operatives are Doing About Educational Program. (Cont'd)

The Co-ops that have failed have themselves to blame. The membership just did not keep up with the development. Being ignorant of the basic principles, questions of the moment, loose in control, without the broad picture of the Co-op movement, they fumbled the ball.

Let us summarize the activities of the successful Co-ops:

I Study Groups
II Lectures

III Moving Pictures

IV Short Courses in Co-op

V Employees training (short course)

VI Recreational Programmes

VII Conferences

Every successful Co-op has a strong educational program, these sessions. Thousands of pamphlets are issued on pertinent topics and a wide awake membership, that keeps its finger on the affairs of relative to Co-operation, and contact maintained with Co-ops all over

These constitute the basis of a good Educational Program with the study groups as the foundation from which the rest can be built.

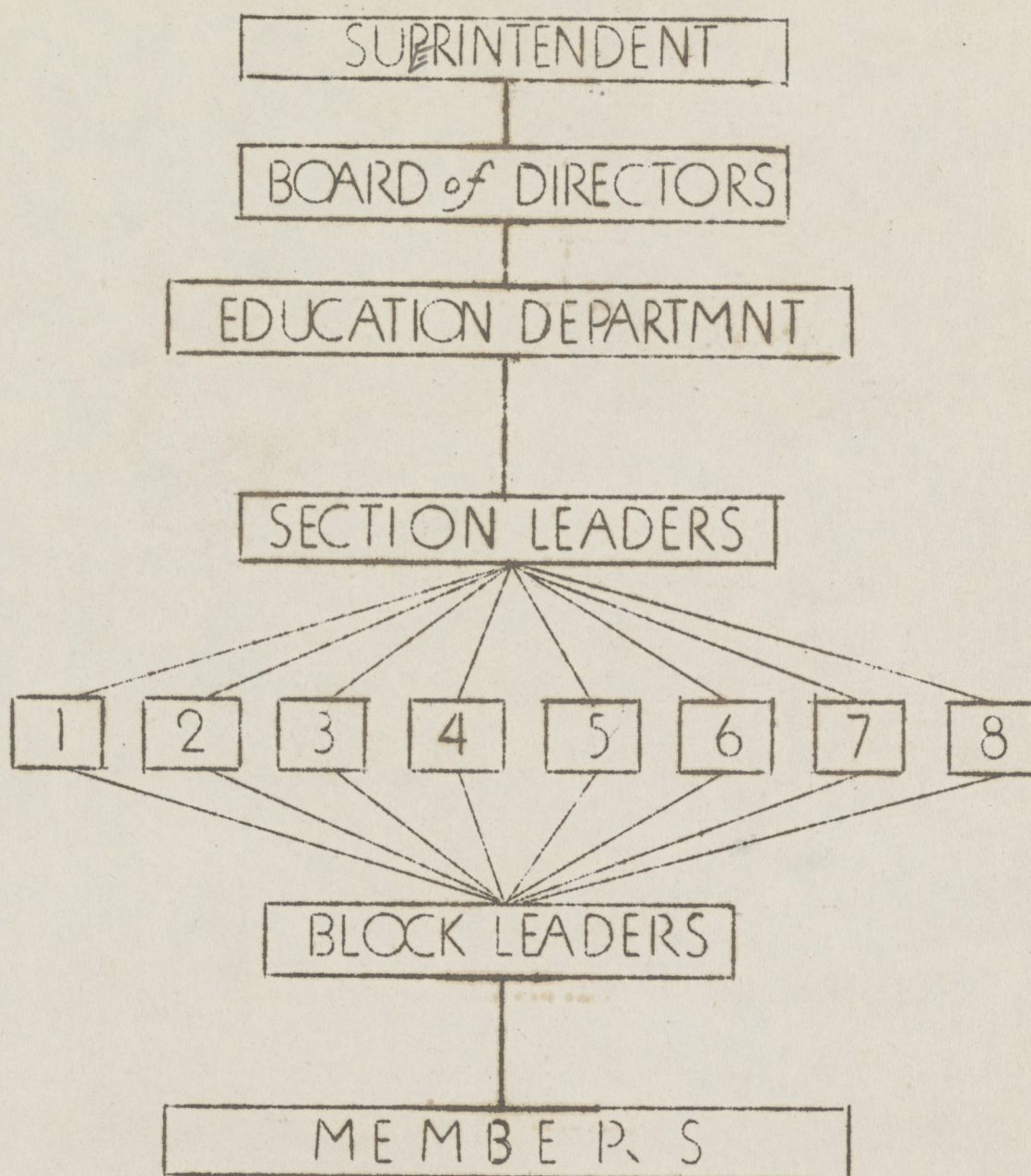
We aim to have an even better program at Gila for we have a closely knit community of common interests and a mighty fine business to protect.

The educational committee is to work through 8 sections. First, to train a group in study club leadership and the Co-op way of life as it is moving forward in America. These men can then be leaders in their sections to start groups throughout Gila. After sections are under way the Committee hopes to have:

1. Lectures
2. Short Courses
3. Moving Pictures
4. Panel Discussions
5. Regular Co-op papers coming to Gila
6. Conferences
7. Library shelves to be opened
8. Regular rallies of all membership
9. Invite leaders from other Co-ops like the League
10. Field days
11. And a training programme for young people.

This will be developed by the members who will thus liberate hundreds of good ideas, provide an outlet for them in action, keep themselves informed on the program of their Co-op and the total American Co-op Movement, prepare and take their places on Committees, Board of Directors, Delegates, or personnel as they are chosen. We can have one of the finest Co-ops in this country with an educational program second to none.

GILA RIVER COOPERATIVE ENTERPRISES, INCORP.
RIVERS, ARIZONA
EDUCATIONAL PROGRAM



EDUCATION DEPARTMENT

Chairman: Ken Kitasako
Committeemen: Harry Kono, Yuhei Oshima, Yoriyuki Sato

DUTIES

1. To coordinate the work of sectional leaders.
2. To assemble and to furnish material for study groups.
3. To arrange for lectures, panel discussions, forums, coop movies and other recreational programs.

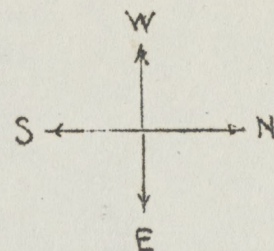
SECTION LEADERS

Canal: Sections 1, 2, and 3
Butte: Sections 4, 5, 6, 7, and 8

DUTIES:

1. To act as advisory committee with the Educational Chairman on matters pertaining to policy of the educational program.
2. To act as chairman of their respective sectional study groups.
3. To become thoroughly familiar with the technique of successful study group leadership on the coop principles through regular meetings with the Educational Committee.

BUTTE



33	34	45
32		44
31	36	HIGH SCHOOL



60	61	72	73
59			74
58	63	ADMIN.	

HOSPITAL

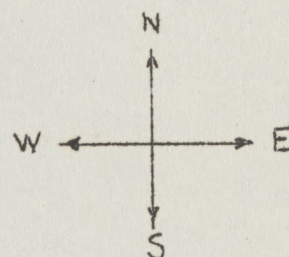
30		
29		ELEM SCHOOL
28	39	40

46	51	52
47		
48	49	54

ROAD TO CAMP 1

57	64	WHSE.
56	65	WHSE.
55	66	WHSE.

CANAL



FIRE DEPT. ADMIN.

ROAD TO CAMP 2

9	8	7	FIRE BREAK AREA	6		4	FIRE BREAK AREA	3		HOSPITAL
10				SCHOOL AREA				16		WHSE.
27	26	25		24	23	22		21	20	WHSE.

* LARGE NUMERALS DESIGNATE SECTIONS
SMALL NUMERALS DESIGNATE BLOCKS

Section for Co-op Education

2 / ROCHDALE PRINCIPLES

The aim of this pamphlet is to have each member understand the principles which guide the Gila Co-operative.

A copy of the by-laws should be used with this pamphlet. Answers to many of the questions, bearing on the Gila Co-op, can be accurately answered by reading a particular section of the by-laws.

You remember the 28 weavers who started the still existant Rochdale Store in 1844, with an individual initial contribution of about \$5 each or a total starting capital of \$140. They spent a whole year planning the rules by which they would run the first Co-operative. The success of their planning is indicated by the fact that those rules, after almost 100 years of trial in all parts of the world by large corporations as well as by small associations, are still the yardstick, ~~These rules are the yardstick~~ by which one can judge a true Co-operative. If all these rules are followed, the society will be strong. If any of these rules are ignored, the society will probably fail for it will not be a true Co-operative.

PRINCIPLES

I Open Membership

Consumer Co-operation looks upon all men as equals in that their primary needs are for consumer items. The Co-op not only does not lose by having more members but actually gains, because increased membership by expanding the purchasing power of the Co-op makes more goods and services available to the individual member at cheaper prices. Regardless of race, politics or religion people meet on common ground in Co-op to help each other get the goods and services required to sustain life. This tends to break down hatred and racial intolerance and makes for continual expansion. Certain procedure has to be followed to become a member of the Co-op.

Questions for Discussion:

How does one go about joining the Gila Co-op?

Why should this principle be followed?

Will this principle work in marketing Co-op?

Does private business invite unlimited membership? Why not?

II One Member One Vote

This is democracy in business. The member with the smallest amount of share capital has the same privileges as the member with the largest amount.

Questions for Discussion:

How does the Gila Co-op member control the affairs of the Society?

Does a private profit enterprise extend voting powers to its member on this basis?

What purpose do you think this serves?

Do you think members with no previous business experience should vote?

III Limited Interest on Capital

In ordinary Co-operatives the Capital Stock is made up of non-participating shares of limited value. Capital is hired by Co-operatives at a definite rate of interest which is fixed in their by-laws. Capital does not fatten on Co-op profits. There is no speculation for the investor knows the maximum amount of interest he can receive before he invests. Usually people put money in a Co-op in order to help build the business and obtain for themselves the privileges and benefits of membership.

Questions for Discussion:

Does Gila Co-op have share capital?

Where did the money come from to start Gila Co-op?

What are Revolving Fund Certificates?

Are they interest bearing?

IV Profit to be Returned to Members in Proportion to Their Patronage

This principle is of great importance. By returning patronage dividends on this basis a substantial amount of buying power is put into the hands of the consumer, and the net cost of goods to the consumer have been reduced by that amount. Consider the profit that the Co-operatives of Rochdale passed to its member in 90 years. It amounts to \$4,000,000. This represents a good many pairs of shoes, a good many pounds of butter, a good many suits of clothes.

Questions for Discussion:

Have you ever drawn patronage dividends from a Co-op?

What is the difference between this manner of distributing profits in Co-operatives and private business?

Questions for Discussion:

How are the profits of Gila Co-op to be distributed?

Who has the authority to distribute the surplus?

What are Revolving Fund Certificates?

Are they interest bearing?

V Cash Trading at Market Price

This rule is followed for several very good reasons. In the first place, if a successful private business exists in a community where people are developing a Co-operative, it is a good policy to adopt current mark up on merchandise. In this manner they fly-by-night type of customer is not encouraged by selfish motives to join. No antagonism is stirred up between the private business and the Co-op. If a "price-cutting war" developed between a struggling Co-op and an established business, who do you think would win?

Questions for Discussion:

Have prices anything to do with the cost of the article to the person dealing at a Co-op?

Some people think goods should be sold at cost. Why is this not done?

VI Business Shall be Strictly for Cash

The strict observation of this principle has never been regretted by Co-operators. The success of the society depends on it. If credit is given one member and he fails to pay his bills, the other "strictly cash" customers have to make the loss. In other words, their patronage dividends are reduced through no fault of their own. This breeds discord within the membership and has ruined many a society. The advantages are apparent, lower prices through discounts and better business standing.

Question for Discussion:

If there was need of credit in Gila how could we handle that need Co-operatively?

VII Neutrality in Race, Religion and Politics

No matter what other differences exist between people they are all consumers with common basic needs. As Dr. Coady of the University of Antigonish says, "there is no Catholic way of canning lobsters or Protestant way of marketing vegetables." If Co-operatives got mixed up in political religious or racial quarrels the membership will be

split into factions and the society will suffer. The Rochdale pioneers realized this and their principle has been of tremendous importance. The International Co-operative Alliance is carrying this principle into effect between Co-operation of many nationalities and laying the foundation of good will, and understanding between the common people of the earth.

Question for Discussion:

In what way is this principle important to your problems of relocation?

VIII Constant Education

The people who vote in a democracy should thoroughly understand the policies and procedures of their Government. In Co-operative business where the members have the final say it is important that they be thoroughly acquainted with the principles which underly the Co-operative Movement. That is why we have started this education program at Gila. Some 8000 members through their votes control the Gila Co-op. If these members are not conversant with these Rochdale Principles, with their by-laws and are not continually finding out more about the Gila Society how can they be effective in the successful running of its affairs? Every member is important. This is your business. The informed member will have such a grasp of the whole Co-op programme that he can keep his eye of the course it is taking. Each month he can read its balance sheets. At annual meetings, he is able to take his place in discussions, on boards or committees. A Co-operative Educational Committee has been appointed to carry on this programme, through study groups, lectures, moving pictures, panel discussions, the newspaper and with help from officers and members, this will be a success.

Questions for Discussion:

Where does the Educational Committee get money to meet expenses?

Why is a Co-op with an educated membership more likely to be successful?

Should non-members be invited to join in the Educational Program?

IX Continuous Expansion

The Co-op Stores must continually do everything it can to promote its ideal of "business for service not for profit." People who have learned how to save profit in the retail trade get ambitious. Repre-

representatives from Co-operative Stores over a region get together and tackle the job of saving the profit in the wholesale field. Regional wholesales with the sanction of the membership get together and set up National Co-operative which can not only make substantial savings through bulk buying and classification of quality, but can expand into manufacturing.

An example of this type of expansion that starts at the grass roots is National Co-operatives*, its 16 Regional Wholesale member societies. The Regional Wholesales have 2500 local Co-op Societies and a membership of 1,000,000 consumers.

Question for Discussion:

Has the Gila Co-op followed a policy of continuous expansion?

* National Co-operatives Inc., Chicago started by 16 Regional Wholesales stretching from Saskatoon, Canada to Amarillo, Texas. The profits from the National Co-operative goes back to the Regional, from the Regional back to local, and then to the member as his patronage refund.

QUESTIONS AND ANSWERS ABOUT THE CO-OP

1. Where did Co-ops originate and why?

Co-operatives are organized to increase the standard of living of their members.

For 300 years people in various parts of the world have been organizing and operating consumer co-operatives. In the first 200 years however, most of them were unsuccessful. But in 1844, a consumers co-operative was established in Rochdale, England which adopted at the outset certain principles of organization and operation which proved so successful, that all co-operatives since then have adopted those same principles.

Co-ops using these principles have been so successful throughout the world that it has been said that "no co-op which follows them can fail, and no co-op which does not follow them can succeed."

Four of these principles are:

1. Open, voluntary membership regardless of race, religion or politics.
2. Democratic control: one man - one vote
3. Cash sales at market prices
4. Dividends in proportion to patronage

2. Who runs our Gila Co-op?

A Board of Directors composed of 10 residents chosen by the Co-operative Congress. There are two delegates, 1 senior delegate, 1 alternate from each block elected by the Co-op members of each block to the Congress of Delegates. All elections are by secret ballot, each member having one vote. The Board of Directors has the responsibility of hiring personnel to operate the co-operative.

3. What is the purpose of the Co-op?

To provide a means whereby the people of Gila can own and control the businesses which serve them; to give them the goods and services they want; and to get them at a net cost, when patronage dividends are taken into account; to provide a business whose main function is to act in the best interests of the whole community.

4. How is the money used which was gathered from the one-dollar membership fees?

These funds are the first step in providing capital for the Co-op to operate with. While more capital is necessary, the membership fee was set as low as one dollar to enable widespread participation in ownership and in voting rights.

5. How are Co-op prices set?

According to one of the Rochdale principles which have proven historically sound, prices are set according to the market, or as near market as possible. In figuring these prices, the following methods are used: Suggested (1) retail prices from manufacturers, (2) average markups which are known to be used in various lines, (3) mail order catalogs, (4) prevailing local prices.

After costs and expenses are definitely known at the end of the accounting period, whatever net earnings there are, are returned on the basis of patronage.

6. Why can't the Co-op reduce prices to begin with instead of giving rebates later on?

Because costs of goods and expenses of operation can never be calculated in advance. Only at the end of the accounting period can the Co-op know accurately what these costs and expenses are. Therefore, it is safest for the sound operation of the business to charge market prices to begin with and return savings above costs and expenses later on.

7. Who determines whether the rebates are to be paid in cash and or equity certificates?

The Co-operative Congress of Delegates, as representatives of the members of the Co-op. The Board of Directors makes a recommendation to the Congress, but it is the Congress which decides finally.

8. What advantages does a member get that a non-member doesn't get?

A member has a right to vote and participate in the policies of the Co-op. A member has a right to cash rebates. A non-member cannot vote, and he cannot receive cash rebates.

9. How are Employees selected?

By making requests of the Placement Office for people to be interviewed. Department heads of the Co-op make the final selection with approval of the Personnel Committee, one of whose functions it is to see that employees are selected for merit, rather than for personal reasons.

10. How are Co-op goods bought?

The Co-op buys directly from wholesalers and manufacturers, not through any Government agency. The responsibility for purchases rests with our purchasing personnel with the advice of the Merchandising Committee. Purchases are based in so far as possible on surveys of the community and requests from substantial numbers of members.

11. Do rationing and priorities affect the Co-op?

Yes, definitely. The Co-op enjoys no preference ratings that other retailers cannot get. The Co-op is subject to the same rules other retailers must follow.

SUPPLEMENTARY INFORMATION

CURRENT ASSETS

Those assets, such as Accounts Receivable, Merchandise Inventories, etc., which, in the due course of business, will be converted into cash.

PURCHASES PAID IN ADVANCE

Purchases for which payment has been made but goods not yet received.

ACCOUNTS RECEIVABLE (Customers' Accounts)

Debts owed to the business by customers; these debts arise from sales in the regular course of business. The amounts listed on your balance represent bills owed to the Co-op by W.R.A. and firms which have purchased slow moving stock from our Co-op.

DEFERRED CHARGES

An expenditure made for a service rendered to the business, whose benefit will extend into the future.

COST

Actual purchase price of equipment and fixtures to the Co-op.

DEPRECIATION

Decrease in the cash value of a piece of equipment (because of wear and tear) which decrease must be considered as an expense of the business. The rate of depreciation of the equipment, furnitures and fixtures of the Co-op varies from 10 to 20 per cent depending on the useable life of the equipment.

NET

"Net" represents the book value of the equipment as of June 30, 1943.

CURRENT LIABILITIES

Debts which are due at once or in the very near future.

ACCOUNTS PAYABLE (Creditors' Accounts)

Debts owed by the business on open account which arise in the regular course of business.

NOTES PAYABLE

This is an amount owed to W.R.A. for workmen's compensation and clothing allowance advanced by W.R.A. from July 23, 1942 up to Feb. 28, 1943 prior to the organization of the Co-operative.

CONTRACTS PAYABLE

Amount owing on equipment purchased on installment basis. In this instance, contracts payable refers to amounts due on "cash registers" only.

ACCRUED LIABILITIES

An amount owing and therefore set up on the books, for a service rendered but not yet billed to the business.

MEMBERS' EQUITY

This represents the total amount owed by the Co-operative to its members. This amount minus the membership fees represent the balance to be distributed to reserve fund and educational fund and to members in accordance with the By-laws and a resolution passed by the delegates and directors on June 30, 1943.

QUESTIONS AND ANSWERS

Q How do I as a member control my store?

A You elect the Congress of Delegates and they in turn elect the Board of Directors who supervise the business of the Co-operative.

Q How can I make suggestions for the improvement of the services or practices of my Co-operative?

A If you have a suggestion to make you may write it to the Board of Directors who will give it consideration, and if it is practical pass it on to the proper persons for action to be taken.

Q What is the use of study when we shall only be here temporarily?

A First of all, you make savings by being a member of a strong Co-operative.

Secondly, the Co-operative with the better educated membership and good management makes the greatest savings, the people will turn more money through their own store.

Thirdly, ~~this is~~ not only a matter of shop-keeping. By being an active well informed member you are brought in contact with a powerful economic idea that is growing daily. Its principles are democratic and acceptable to America. It is the dominant idea of tomorrow that works today.

Fourthly, because you will get a great deal of satisfaction out of the results that follow when you and your neighbors join brains and money to go forward together. Kagawa, the great Japanese preacher and scholar calls Co-operation "Brotherhood Economics". And its a fine feeling to be getting ahead with your neighbor--not ahead of him.

Fifthly, while we are in this center we can learn the techniques of democracy, through participation in the affairs of this business which we own and control absolutely.

Q How can this simple idea ever hope to influence the economic life of America?

A The fundamental idea is sound. We are all consumers. We have it in our power to control all distribution and production of all consumer goods. We can control and own our distributive and productive machinery in America. Who will say that it cannot be done when every new member who joins a Co-op store brings nearer the day.

Gila Co-op
Questions and Answers (Cont'd)

Q Joining Co-op won't do it alone--what are the steps we as consumers must be prepared to take to build a strong Co-op Movement?

A First, we must educate ourselves in the principles of the Co-ops. We must do this calmly with our neighbors in little groups where we learn to analyze the economic system under which we live and understand Co-operation's strong points. By constant study we become discontented with a mere retail store, we see the next step and the next wholesale and factories stretching away ahead.

Q What about the actual running of business?

A Some of us must learn to be business men for Co-operation must be prepared to fight its battles in a competitive system. We must have good personnel and good directors plus an educated membership.

Q Why can't the Board of Directors and the manager run the business along with Congress of Delegates? Why bother the members?

A Because, it is the members who own the store. It is the members who will be tempted to buy at other business houses by low prices. It is the members who must get the Co-operative idea straight. It is the members who have the power to exert their "Democratic Control" of their business by one member one vote. If they do not understand the importance of education and study in Co-operation they will be in no position to render sound decisions nor control the actions of their elected officers. The only Co-operative worthy of the name is that in which people go through the strengthening processes of continuous and regular discussion of their current problems and plan for the future. The opponents of the Co-op method of business finds easy ^{PREY} ~~prey~~ in the ^{unin} ~~un~~-informed member. But a study group will give its members all the answers and teach them straight thinking, and make them real Co-operators, strong and progressive.

Q Why should we all study? Why not let a specialized group get together and make all the plans?

A We realize we must have leaders. There will always be people away out in front in the Co-operative, people with ideas. Co-operation is the cradle of true democracy. There are thousands of people who have never done effective thinking along economic lines and picture these thousands during the years of depression,

Gila Co-op
Questions and Answers (Cont'd)

bewildered by an economic structure they could neither understand or control. If Co-operative methods are understood by all members they can exercise intelligent supervision over their elected officers. Many Co-operatives have failed or been taken over by a group of officials who looked on membership participation as a joke and acted accordingly. If the democratic principle of "one member one vote" is to mean anything we must learn enough about Co-operation to use that vote intelligently. For it is the consumer who by his purchases and his votes can make or break his business.

"OIL WITHOUT PROFIT"

Early in the twenties the farmers of Minnesota were dissatisfied with old methods. They wanted to step ahead with the rest of the nation into power production. But power farming required oil and oil was being produced and the price set by people who were out to make profit. Minnesota had seen the rise and fall of scores of small CO-OPS. The early attempts failed chiefly because of poor management and, uneducated membership. In February of 1921 some farmers of Cottonwood got together and decided to set up a Co-operative for the purchase of oil. The retail price of gas at the time was 28¢ a gallon. We must give Cottonwood farmers credit for being the pioneers in this field of Co-operative business.

A certain Mr. Madison wrote the oil company asking for prices on carload lots. The information he received proved that substantial savings could be made. This encouraged the farmers to go ahead with their plan. Each member estimated his storage space and brought in money with this order to the Central Secretary.

Then, the first problem arose. The CO-OP had no bulk depot at which to unload. This was probably a good thing because it forced the members to study the setup of Co-operative for some five months. In the second place, it resulted in the organization of a chartered society the following June.

In July, the Cottonwood Oil Company purchased the bulk depot and stock of the Manhattan Oil Company and opened its first retail station.

News travels fast when farmers strike oil and other Communities like Hanley Falls, 7 miles away, wanted to join.

In the beginning the authorized capital was 400 shares with a par value of 25 dollars each. The first financial statement showed the Net Worth to be \$8,534.77.

Between the years 1922 and 1935 this one Company alone has paid back to its members \$61,918.15. A yearly patronage dividend has been declared with but one exception. In 1931 two bank failures cost the Cottonwood Oil Company \$5,329.20 and \$3,350.43 respectively.

The idea spreads.

Gila Co-op
"Oil Without Profit" (Cont'd)

Meanwhile other communities had been following the example of Cottonwood. The increasing volume of their separate business gave rise to the idea of a CO-OP Wholesale. The farmers goal was "Oil Without Profit" and they knew the Wolesalers were still making money at their expense. In St. Paul, September 1926, the officers of some of the 27 locals then in operation got together and formed the Minnesota Co-op Oil Company to act as their wholesale. The financing of the Co-op was to be done by the local societies at the rate of \$25.00 share capital from each and an additional \$10.00 share for every Bulk Depot operated. The farmer members caught the idea and share capital began to roll into the Secretary of the temporary headquarters in Albert Lea.

Then, the unexpected happened. The Bank in which the money was deposited failed and every penny of collected capital was lost.

The determined farmers decided to operate without capital and pay for their orders in advance.

The Renville Oil Company was the first patron. It put in an order amounting to \$1,000.00 and a check to cover. The Freeborn County Co-op in Albert Lea was second with \$3,000. Others followed suit and the wholesale began to move ahead.

In January 1927, offices were opened in Minneapolis with E.G. Cort, formly County Agent in Freeborn County, as manager. Under his onergatic leadership the number of member societies increased and business expanded.

In 1930, the Co-op became the Midland Co-op Oil Ass'n. In the same year it joined the Co-op League of the U.S.A., and assumed its proper place among the National Co-operatives, making substantial contributions to the league for the spreading of Co-operative education among the consumers of America.

Moantime, the Cottonwood Oil Company was dealing with Shell Oil Company. When its contract expired it switched its orders to Midland. Now Societies sprang up all over Minnesota and Wisconsin.

Joshua K. Bolles says, "When the farmers of Ohio, Indiania, and Michigan were whipping the fertilizers trust, the blue shirted tractor cabbies of Minnesota and Wisconsin were making a drive on oil. Oil, its seems, was a good lubricant for a Co-op wholesale, and when busi-

ness generally was at its worst, and private industry was so frightened that it wouldn't spend ten cents on a wash cloth, the Midland was growing like a Minnesota pine tree."

It was growing because the story of the farmers who had "struck oil" spread like a prairie fire, and scores of communities set up oil Co-op's.

HOW MIDLAND WAS FINANCED

It is interesting to note that the Midland Co-op had no subscribed capital. The profits of the first year were taken out by the members in cash. Since then, all earnings have been left in the society to supply working capital. Over the 10 years from 1927 - 1937 these earnings amounted to \$285,349.61. Certificate of indebtedness were issued to show the equity of each member society.

In 1934, the organization was changed to a capital stock company with common and preferred stock. Each society was required to have five \$100 shares of Common Stock, plus one additional share for each 50 members in the society. If an association has earned more than the required amount of Common Stock, its excess is converted into preferred stock, which is held by the wholesale for five years. This five year revolving fund plan was adopted at the Annual meeting in 1936. The local Co-op at Albert Lea, for example, in 1937 received a check for \$1,643.88 as cash refund of its excess earnings for five years previous. From there on other Co-op continued to share in the deferred payment of earnings.

WHAT LOCAL MEMBER CO-OP ARE DOING IN 1936

The progress of members societies that makeup the Midland Co-op is exemplified by the Cottonwood Co-op Oil Company, which had been the pioneer. Up to 1936, it had returned \$70,671.06 to its members as patronage refunds. Its 1936 Sales volume was \$95,270.51, an increase of \$20,000.00 over 1935. Earnings in 1937 were \$8,939.97 or 9.37% of sales. Its business continues to expand.

TYPICAL 1943 FIGURES OF MIDLAND'S MEMBER SOCIETIES

"Renville Company Oil Co-op", another member, started on a shoe string in March 1943, reports 436 Shareholders, years sales of \$83, 195.00 and earnings for distribution to members of \$10,783.00.

Another member "Olmsted's County Oil Co-op" at its annual meeting March 17, 1943 distributed \$60,080 in dividends to make a grand total of \$600,000 in refunds over 12 years activity.

"Morris Co-op Oil Ass'n", another member distributed \$22,382 as interest on shares and a 7% patronage refund.

These examples taken at random from the "Midland Co-operator" are evidence of the healthy membership of the wholesale.

MIDLAND CO-OP IN 1943

The wholesale service some 450 Co-op societies representing 100, 000 consumers is scattered over Minnesota and Wisconsin. The area is divided into eleven districts for the sake of efficient, democratic control. The eleven elected representatives make up the Board of Directors. At the present time, the manager A. J. Swaby has a proposal before the whole membership for the purchase of an oil refinery at Cushing, Oklahoma. This represents a million dollar investment. The property has 130 acres of land. The plant is modern in every respect with a capacity with a capacity of 4,500 barrels of crude oil a day. Storage space can handle 600,000 barrels of oil. In addition, the plant is on the Great Lakes Pipeline with terminals at Minneapolis, Chicago and Des Moines. It is interesting to note the manner in which such a proposal is brought before the entire membership for their opinion. First, the Board of Directors were consulted. Next representatives of the local Co-op's discussed it in both states. In March, the "Midland Co-operators", official paper of the wholesale, carried the whole story to the membership. Clear explanations of the deal were made, picture and drawings of the plant, sources of oil, transportation system, details of management, every desirable piece of included. The farmers read and discuss, for it is their business. No doubt, they raise the money. In anticipation of their decision being in the affirmative, the by-laws of the Midland Co-op have been amended to permit larger investment. The retail, the wholesale, the refinery and eventually oil wells--that is their goal. The canny farmer member understands his goal of "Oil without Profit".

He has learned by experience the value of owning the means of production and distribution. The common sense of doing business for themselves is exemplified by a striking statement painted on a big Twin City Co-op Oil Truck. It reads "Twin City Consumers have paid for many trucks! This is one they really own!"

HOW TO ORGANIZE A CONSUMER CO-OP STORE

Preliminary Work

The first requisite to a formation of a co-op store is, as we have already learned, the necessity for study clubs to learn the fundamentals of cooperation and the cooperative movement. The historical background of cooperatives, Rochdale Principles, the genuine interest of the members and the knowledge of the responsibilities they must shoulder are all taken up in their study meetings. As a rule, about six months of study group work is necessary before the members have sufficient background of cooperation. Sometimes, a longer period is necessary as in the case of the Rochdale Pioneers who spent a year before they embarked on their first enterprise. It is far better to take sufficient time to understand thoroughly the meaning of cooperation than to have the members rush into the formation of a store with only a vague idea of what cooperation is about. Without sufficient knowledge, it would not take long before a good deal of misunderstanding would arise and which would eventually break down cooperation and that, of course, would be disastrous.

About once a month, it is a good idea for all the study groups to meet together to discuss some common problem. In this way, it would give the members the feel of what a large gathering is like and also, develop potential leadership and training for the conduct of large meetings.

Formation of Buying Club

Before the members tackle the problem of organizing a co-op store, the proper procedure is to form a buying club. The reasons for this are (1) furthers the study of cooperation, (2) trains its members in cooperative methods, (3) creates savings to members by pool buying and (4) improves the quality of goods purchased by the members. In other words, the buying club is where one gets the preliminary training before taking the big step of organizing a co-op store.

The fundamental thing to bear in mind in regard to a buying club is that it is a democratic association. Unless this idea is thoroughly understood by the members participating, you cannot get the most out of the participants. Everyone must feel that it is his or her responsibility to contribute service when and where needed and when

all assume this responsibility, the buying club cannot help but succeed.

Buying clubs are generally unincorporated organizations. The study group members, after having learned the fundamentals of cooperation, come together with the purpose of organizing a buying club. The first thing they do is to call a meeting of the members and at this meeting, tentative plans of organization are presented. If the members are in agreement as to the organizing of a buying club, then, a motion is in order to organize a consumers' co-op club. If this motion is carried, then, the chairman may appoint a small committee to draw up the constitution and the by-laws. The basic principles of co-ops should be embraced in the by-laws, the Rochdale Principles which we have already studied.

Officers may be elected to head the organization. The president, treasurer, and secretary-manager, and a board of directors are elected by the members. Also, various committees are set up, such as auditing committee, educational committee, a research committee whose function is to check the quality, price, and conditions of the commodities dealt in by the club. And, any other committees deemed necessary by the organization may be set up.

Now, the club is ready to operate. The main activity of the club is to pool the members' orders, which could be done on a weekly or a bi-weekly basis, by handing over to its buyer a list of goods and quantities desired. The buyer combines the orders and places them with concerns at the best prices obtainable.

In the matter of purchases, it is generally found that, to begin with, staple articles are about the best adapted for club purchase. Canned goods and sometimes meats are handled to advantage. However, it is entirely up to the buying club to make a thorough study and investigation before any attempt is made to handle any items which have a doubtful character.

The logical thing for a buying club is to make a hook-up with a Co-op wholesale for their source of supply. ~~There is the distinct advantage~~ that the club will receive cooperation from such wholesale, whereas, through a non-co-op source, sometimes some difficulty may be encountered to get the articles desired.

Bearing Rochdale Principles in mind, the buying club should deal on a cash basis only, and that the division of the savings be on a pa-

tronage basis. This is the only logical and fair way to handle the problem. Another point to bear in mind regarding surplus division is that a practice of returning only a part of the savings should be established and retaining the balance for the purpose of accumulating capital for the financing eventually of a co-op store.

Formation of a Co-op Store

Now, the next step is to organize a consumer co-op store. Before membership is solicited, it is very important that an intensive educational campaign be launched to inform all prospective members about cooperation and the historical background of the co-op movement. This calls for a careful planning. All members of the buying club should participate in getting as many people as possible interested in co-operation and to the idea of having a co-op store established. In other words, the study club members form a nucleus organization from which will evolve the co-op store.

When sufficient number of people have indicated that they are interested in the formation of a consumer co-op store and have pledged to patronize it, then the time is ripe to call an organization meeting. When the meeting is called, it will be the duty of the chairman to explain the purpose for calling the meeting, and to elect various committees, - on by-laws, membership, and education, with their respective duties to start the machine rolling.

We will not endeavor to go into the details of the drafting of by-laws at this time. The subject of by-laws and incorporation will be taken up in another section. Assuming for our purpose here that by-laws have been drafted and adopted, membership drive completed, capital subscribed, board of directors elected, officers elected, and a general manager appointed, we are ready to set up the co-op store. A suitable site is chosen and services of a technical expert for a store layout are retained. Buying arrangements are completed with a co-op wholesale. And as soon as merchandise is arranged throughout the store, the co-op is ready for business.

A detailed analysis of the operation of a consumer co-op store will be taken up in a later meeting.

SOME LEGAL ASPECTS IN THE ORGANIZATION OF COOPERATIVES

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It is the intention of this paper to touch upon some of the legal aspects in the organization of cooperatives in order to provide some material for study groups to consider as part of their educational program on the subject. It is important to note at the outset that the actual work of drafting and filing various documents necessarily involved in organizing a sound cooperative should be referred to attorneys because the many legal ramifications of the task are such that ordinary laymen cannot hope to cope with them, and it would be almost impossible for study groups to consider and to obtain a thorough understanding of the problems involved. The old adage that "A smattering of the law is a dangerous thing" would be particularly applicable here.

Consideration will first be given in general form to some of the types of organizations under which a cooperative might be operated and some of the advantages or disadvantages of each. Some of the more important problems arising in connection with organizing a cooperative as a corporation will then be considered, with reference being made from time to time to pertinent provisions of the Consumers' Cooperative Act of the District of Columbia. Thereafter some legal problems relating to compliance with certain statutory and administrative requirements in the course of business operations will be briefly considered.

I. Types of Organizations

A. Unincorporated Association.

A group of persons interested in organizing a producer's or consumer's cooperative may get together and formulate a constitution or charter and a set of by-laws in a manner somewhat analogous to that of organizing a club. Provisions agreed to by the membership as to such matters as the method of obtaining capital, membership privileges and obligations, voting rights, officers and their duties, method of distribution of earnings, and division of assets upon termination of the association should be outlined in the by-laws after a constitution, specifying the intention to organize and setting forth some of the fundamental plans of the group, has been adopted.

Such an organization may have the advantages of being easily organized and less expensive and, therefore, more feasible where the number of members is quite small. Also, since the details as to the set-up of such an association are matters entirely for the membership to determine by mutual agreement, it might be argued that there is the advantage of not being hampered by statutory limitations as to method of organization. As an illustration the District of Columbia cooperative law for corporations provides, among other limitations, that

- (1) Amendments to the articles must be by 30 days' notice accompanied by the full text of the proposed amendment. (Art. III Sec. 7)
- (2) Each member can have but one vote and no voting by proxy is permitted. (Art. VI Secs. 13 & 14)
- (3) A two-thirds vote of members is necessary to remove a director or officer. (Art. VII Sec. 19)
- (4) The return upon capital (presumably share capital is meant) cannot exceed 6% per annum upon the paid-up capital and shall be non-cumulative and the total return upon capital distributed for any single period shall not exceed 50% of the net savings for that period. (Art. VIII Sec. 22)
- (5) No shares or membership certificates can be issued until the par value has been paid for in full. (Art. VIII Sec. 25)
- (6) The net savings must be apportioned in a specified manner in reference to the amount and method of allocating the reserve fund, setting up an educational fund, and method of allocating and distributing patronage refunds. (Art. IX Sec. 31)
- (7) Officers or employees handling funds or securities of \$1,000 or more per year must be bonded. (Art. X Sec. 32)
- (8) An annual report setting forth certain specified facts must be made. (Art. X Sec. 34)
- (9) The procedure for dissolution and method of distribution of assets is strictly outlined. (Art. XI Sec. 36)
- (10) An annual license fee of \$10 must be paid. (Art. XIII Sec. 44)

The laws of various states differ as to these restrictions and limitations and some are more onerous than others. Provisions are made for enforcement of these laws and for punishment at the instance of the state in case of violations. Compliance with these regulatory measures is required in order that the organization might enjoy the privileges of corporate existence. In the case of an unincorporated association, however, the state and federal government do not impose such restrictions and the association can organize and operate in any manner that an individual person might do, with but few exceptions, so long as the members of the association have mutually agreed to the

plan. It is advisable, of course, that cooperative principles be included in any plan that might be adopted by such association even though there are no legal requirements in regard to them.

In spite of these purported advantages of an unincorporated association there are some serious disadvantages that must be fully recognized and appreciated. First, the members of such an association are jointly and individually liable not only for all debts it may incur but also for tort liability for damages arising out of death or personal injury cases. Thus, if the association should suffer business reverses or otherwise incur a sizeable debt which cannot be paid from its assets, the creditor has the right to sue the association, naming any or all of its members as co-defendants, and attach or levy against the property and assets of any or all of the defendants to the extent reasonably necessary to secure payment of the debt. Also, if any employee should negligently injure someone while delivering goods for the association or if a customer of its store should be injured by stumbling on a defective floor-board that was not properly maintained, the members might be faced with lawsuits that could be disastrous in nature. Various safeguards and precautions against such contingencies can be taken to minimize such possibilities, such as by maintaining adequate reserves to take care of all possible debts, requiring adequate bonds of those handling funds and assets of the association, and obtaining insurance coverage against possible liabilities that might arise out of tort cases. However, it is quite unlikely that all of these contingencies can be wholly taken care of and the risks of membership liability eliminated.

The fact that a cooperative which is incorporated must abide by certain regulations and laws really works for the advantage of the members and the organization itself since these provisions make it necessary as a matter of law that certain basic principles upon which rests the successful operation of a cooperative be followed. Thus, the limitations and restrictions previously noted are in fact the very principles sought to be followed in a cooperative and the fact that they are statutory requirements rather than something merely agreed to and adopted by the members gives it a definite element of stability which cannot be changed at the whim of the members. Of the five general Rochdale principles of (1) open membership, (2) one vote per member and no voting by proxy, (3) limited return upon share capital,

(4) distribution of surplus on basis of patronage and (5) neutrality on political and religious matters; it is significant that the District of Columbia laws require the first four.

B. Business Trust

Where a cooperative is organized and operated as a trusteeship, control and management of its affairs are usually vested in a Board of Trustees and the organizational set-up is otherwise quite similar to that of an unincorporated association. Details of the organization can be specified in the constitution and by-laws and the trustees elected thereunder. However, there is no requirement that certain statutory provisions be followed, except in a very few states, and therefore, the methods of organization and management are practically unrestricted. Instead of the constitution and by-laws, a declaration of trust or a suitable form of trust agreement can be used.

(4) The extent to which personal liability of the members or shareholders, arising out of tort or contract obligations, can be done away with depends upon the nature of the trust and, more particularly, upon the extent of control retained by them over the trustees and the

B. Business Trust
Where a business is conducted under a declaration of trust, with the management exclusively vested in the trustees, there is generally no individual liability on the part of the members or shareholders. However, if they are by the terms of the trust given power to elect or remove the trustees, to alter or terminate the trust, and above all to give binding instructions to the trustees in the conduct of the business, they would be personally liable for the obligations of the enterprise.

As a practical matter, it is inconceivable that in a business cooperative the usual member or shareholder would go so far as to relinquish all control and voice in the conduct of the organization and such a step would not be wise or proper in most cases. Thus, in effect, individual liability will apply as to the members of such a trust and the advantages of limited or non-liability enjoyed by special partners in a limited partnership or by stockholders or members of a corporation cannot be obtained in the trust form of organization.

C. Corporation

A cooperative corporation is a creature of the state statutes to that of an unincorporated association. Details of the organization can be specified in the constitution and by-laws and the trustees elected thereunder. However, there is no requirement that certain statutory provisions be followed, except in a very few states, and therefore, the methods of organization and management are practically unrestricted. Instead of the constitution and by-laws, a declaration of trust or a suitable form of trust agreement can be used.

under which it is sought to become incorporated. Upon compliance with certain formal requirements it becomes a legal entity distinct and separate from its members or shareholders. No individual liability attaches to them for the debts and obligations of the corporate body and the extent of loss to them does not exceed their interest in the corporation as shareholders or members.

Aside from the question of liability, the corporate form of organization presents certain advantages. Perhaps the most important from the stand point of cooperative benefit is that a larger number of members and a greater amount of capital can be obtained to help overcome the first and foremost problem confronting most cooperative ventures. Of course, the mere fact of incorporation of itself will not bring this about but in order to incorporate the necessity of complying with particular legal requirements would compel sounder organization and is more apt to assure success. There is far more likelihood that prospective members would join up and invest their funds in the enterprise when they know that it is being organized under the provisions of regulatory statutes adopted for their benefit. There is less likelihood of inter-membership dissensions of a disastrous nature when the law provides that certain fundamental principles must be complied with regardless of the wishes of the group and this presents an added advantage of great importance.

II Incorporation of a Cooperative

The initial stages of incorporating a cooperative venture are ordinarily taken care of by a group of individuals known as the incorporators. The District of Columbia Act provides for five or more incorporators who are to sign the articles of incorporation for filing. They are the ones who are instrumental in signing up members, issuing and selling shares of stock, raising capital for the cooperative, and generally looking after the many things necessary and incident to organizational work.

The legal phases of incorporation are generally as follows:

- (1) Draft articles of incorporation.
- (2) Have articles signed by requisite number of incorporators and obtain proper acknowledgment of signatures.
- (3) File articles with proper office and pay the necessary fees for same.

- (4) If state of incorporation is different from state of place of business, obtain certified copy of articles and file with proper office.
- (5) Effect publication of articles and file proof of publication.
- (6) Hold organization meeting of members or shareholders to elect the directors.
- (7) Draft and obtain approval of By-laws.
- (8) Secure necessary permits and licenses to do business.
- (9) Compliance with Blue Sky Laws (state laws regarding issuance and sale of stock or securities to the public).
- (10) Meet requirements of the Federal Securities Act as to registration or filing letter of notification as to securities to be issued and sold.

What may be considered as the principal step in the forming of a corporation is that of meeting the statutory requirements as to the articles of incorporation. These requirements vary according to states but under the District of Columbia Act (Art. III Sec. 5) the articles must set forth:

- (1) Statement of purposes.
- (2) Name of association which must include the word "cooperative".
- (3) Term of existence.
- (4) Location and address of principal office.
- (5) Names and addresses of incorporators.
- (6) Names and addresses of directors for the first year, unless sooner changed by members.
- (7) Statement as to shares or memberships.
- (8) If organized with shares, a statement as to capital, number and types of shares, par value and the rights, preferences and restrictions of each type of shares.
- (9) Membership qualifications as to shares; if organized without shares, whether property rights of members shall be equal or unequal and the rule by which their rights shall be determined.
- (10) Maximum percentage of capital which may be owned or controlled by any member.
- (11) Method of distributing surplus upon dissolution.

In order to set forth the many rules and regulations pertaining to internal affairs of the corporation, it is usual to adopt by-laws. Although many matters are definitely provided by state statutes and must be adhered to, there are a number of things which are wholly or partly discretionary and when they are decided and adopted by the members, they are set forth in the by-laws. Some of these discretionary provisions under the District of Columbia Act are as follows:

- (1) Membership - eligibility and termination.
- (2) Meetings - time, place, manner of calling.
- (3) Quorum - percentage or number.
- (4) Directors and officers - number, qualifications, powers, duties, term of office, method of election and their compensation, if any.
- (5) Delegates - whether to provide for voting directly or through delegates.
- (6) Portion of surplus to be allocated to the educational fund.
- (7) Whether to provide a general welfare fund and, if so, the portion to be allocated.

It should be noted that there are many mandatory requirements of state statutes that should be a part of the by-laws and, as previously noted, these are the measures which to a large extent lend stability to the cooperative and eliminate internal dissension and bickerings among the members. Many of these requirements as specified by the District of Columbia Act have already been indicated in the discussion on the unincorporated association.

Perhaps the most significant provisions of the act in this regard are those that deal with the allocation and distribution of net savings (Art. IX Sec. 31).

- (1) The law requires that 10% or more of the net savings must be set aside as reserves until such reserves equal at least 50% of the paid-up capital; also that reserves must be allocated on the books on a patronage basis or provide a means of doing so. Thus, when so allocated, they represent patrons equity and not a fund belonging to the corporation.
- (2) Return upon capital can be paid only out of surplus of assets over liabilities and there can be no "padding" of assets by unrealized appreciation in value or revaluation of fixed assets.
- (3) A certain portion must be set aside for the educational fund and the remainder must be allocated to all patrons in proportion to their individual patronage, except that in case of non-members the amount so allocated must be credited towards his membership, and when a sufficient amount has thus accumulated within a specified time the certificate of share or membership must be issued to him.

The act thus provides for financial stability of the cooperative, a means of carrying on an educational program on cooperation, refunds based strictly upon patronage, and a method by which membership can be gradually and almost automatically increased.

III Compliance with Other Legal Requirements

When the organizational phases of forming a cooperative corporation have been completed and when business operations have been start-

ed, it becomes very important to make a thorough check-up as to whether all of the many requirements of law are being substantially complied with. Considerable grief and unnecessary expenses can be saved by taking care of these things early and before various assessments, penalties and interest began to pile up and threaten the life and existence of the newly started venture.

Some of the particularly important requirements that should be complied with are as follows:

- (1) Payment of necessary sales taxes, both state and federal.
- (2) Stamps and luxury taxes on particular types of merchandise, such as cigarettes, liquor, candy, cosmetics, etc.
- (3) Workmen's compensation insurance to provide benefits to employees who should be injured or diseased in the course of their work.
- (4) Social security taxes for old age and survivors' insurance benefits.
- (5) Unemployment compensation payments for unemployment insurance.
- (6) Real and personal property taxes.
- (7) City, county and state business license fees.
- (8) State and federal income tax returns and payments, if any.
- (9) Franchise tax returns and payments, if any.
- (10) Capital stock tax returns and payments, if any.
- (11) Annual report of corporation to secretary of state or other proper office.

Non-compliance with the foregoing legal requirements will be followed by assessments levied against the corporation. These assessments are ordinarily computed by examination of the corporate books and records as well as by investigation of the records of wholesalers, jobbers and others from whom purchases are made, by appraisal of the property, merchandise, and other assets of the corporation, and by various other means which might be considered necessary and expedient. In event that the corporate books and records are inadequate or not in proper order, arbitrary assessments with possible penalties for fraud might be levied. Additional assessments for delinquency in payments and for interest must also be expected as a matter of course. When these assessments are not paid up, they may become liens upon certain assets of the corporation and the amounts involved will continue to increase as additional penalties and interest are levied.

Aside from the matter of complying with the various tax and other requirements, it is important that several other matters affecting the corporation be considered and taken care of during the initial stages of business operations. Some of the more important of these are as follows:

- (1) Obtaining adequate bonds of every officer and employee handling funds or securities of the corporation amounting to any substantial amount per year.
- (2) Fire, theft, burglary, transit and other property insurance upon buildings, equipment, merchandise and fixtures.
- (3) Public liability insurance coverage for risks arising in and about the business premises as well as for drivers of vehicles of and for the corporation.
- (4) In some cases, life insurance upon key men invaluable to the enterprise.
- (5) Accurate as well as efficient system of keeping books and records, handling funds and submitting reports.

The various problems heretofore discussed have been only in outline form with no intent to go into details. It would necessarily involve a great deal of time and study to go into a more involved treatment of these problems. However, it is hoped that some of their so-called highlights concerning the various aspects of a legal nature as herein discussed will be of some benefit to the study groups on cooperatives and that they will furnish material for further discussions and research.

FOR STUDY GROUP LEADERS

In the following paragraphs we have endeavored to explain some of the most successful methods used by study group leaders under the direction of the Educational Committees of the most prominent Co-operatives in America.

GROUPS OF EIGHT TO TWELVE

In meetings we often feel tired before the speaker is thoroughly under way. His words drift through our minds like the voice of a radio announcer. Questions arise in our minds but many people let them pass, either because - -

(a) They are afraid someone will think ~~them~~ silly if they ask them.

(b) They are too shy to speak in front of the crowd.

In a small group, this is not so likely to happen. The co-operative principle of group-action is even more important in group study. You will find that people will be eager to discuss the questions before your group once they have broken down their shyness. They will have to be drawn into the discussion at first by skillful questions from the leader that he feels they can answer. He must, by experience, learn the importance of each members' ideas which, though simple, often help form the fabric of an important new idea with deep meaning. Invite people to illustrate their points of view by relating personal experiences bearing on the discussion. Encourage the group to look for facts from which to form accurate conclusions.

STICK TO THE SUBJECT

Keep the discussion going in some specific direction. It is sometimes necessary for you to allow the discussion to branch out in order to run down facts. For instance, if your discussion is on the Rochdale Principle of one member, one vote, as it applies to your Gila Co-operative. Some member may ask how it is managed in a regional wholesale made up of a group of small stores. This can be briefly explained. Then, someone may inquire as to the further problems involved

in applying the principle to wholesale-owned factories and oil refineries. If you have studied the general rules followed by these advanced co-operatives, you might give a little time to explaining how membership control is possible. If you have not studied this angle, frankly admit it, but tell the group that in the course of your meetings you will come to this problem. In either case don't allow the members to spend too much time in vague conversation about oil wells, refineries and the like. When you feel that the conversation has lost value, in relation to the subject being studied, politely but firmly bring the members back to the point. In this way, you can make definite progress at every meeting. The Educational Committee and its advisors have a definite goal in view and will plan your study material with an eye to help you reach that goal speedily and efficiently.

REVIEWING

The study material will be planned to cover certain specific subjects in a certain number of meetings. For instance, the study of the Educational Programme, the historical background of Co-operation, Rochdale Principles, as it affects your Co-op Society may take, let us say---4 meetings. During the discussion you might take note of the most important points and conclusions. At the beginning of the following meeting it is well to give a brief outline of the last meeting by referring to the points you noted. This serves three purposes:

- I It keeps the important points fresh in the minds of your members.
- II It gives continuity to the course of your studies.
- III It acts as a speedometer showing how far you have come.

STARTING MEETINGS ON TIME

Set a definite time and place for each meeting. Start on time and finish on time. If your group agrees to meet at 7:30 and finish at 9, stick to these hours. If at 9:00, the argument is very interesting and people are anxious to keep it up -- close your meeting. It's better to carry over the interest to your next meeting than to exhaust your members by allowing them to talk themselves entirely out of material.

KEEP YOUR EAR TO THE GROUND

Don't ever forget that we must keep the members' interest. The best way to do this is to have them feel that they are helping create something - in simple words they like to have a "finger in the pie". At all times be alert to their needs. If they find certain of our studies dull, find out what they want and make a written report to your Educational Committee, who will adjust their material accordingly. If they want Movies of Co-ops, panel discussions, recreational programmes or any other beneficial activities, bring these suggestions along and the Educational Committee will make every effort to get them started.

WHAT TO EXPECT

You may as well be prepared for some discouragement. You may think your progress is slow. Members may not turn up to meetings regularly. They may not appreciate the work you are doing. That is where your ability to be a good leader will really count. First, make up your own mind about Co-operation. Get a picture of its powerful growth in America and the world in general. Read the books containing the story of the struggles of every Co-operative store and every leader from the Rochdale Pioneers to your own day. Then, go into your job with determination. If things go wrong, look for the cause. If interest is low, ask for help from your section leader. Talk to your neighbors, tell them why you're interested in Co-operation. If you are sincere, people will be attracted to you and have confidence in what you are doing. There is no problem that we can't solve together. The Educational Committee will be behind you 100%.

HOW TO GET BEST RESULTS

The circular type of leader. (Copy from Ohio Farm Bureau Pamphlet)

The co-operative, democratic type of leader gives and takes with the group. He is one of the group. Each is encouraged to contribute. By skillful questions and occasional suggestions, the leader holds the

interest and attention to a high level. He has a working knowledge of co-operative discussion methods and has faith in the outcome of the democratic procedure. This gives him patience with slow results because he knows that a certain amount of group fumbling is inevitable. He is more concerned that the group seek the way to a co-operative solution of the problem than that they give bright answers as individuals.

WHAT NOT TO DO

A study group is a place where we come to learn rather than to display learning. Here we will briefly discuss some types of leadership that must be avoided.

The Dictator Type

This is the self-opinionated man who thinks he is always right. His words are final on any argument and he will expect his group to follow his instructions like sheep follow a shepherd. This type of leadership is all right among people who are too lazy to do their own thinking. A leader like this will develop a "gold brick" membership. Co-operatives don't want "yes men"! Co-op's want progressive, thinking, independent members who can make up their own minds.

The Lecturer Type

This fellow pours information into the ears of his members as though he were filling so many tin cans. The lecture method is often commendable, but a lecture class is not a discussion group because it is often neither democratic, co-operative nor productive of group thinking.

The Mirror Type

This leader is a drifter. He fails to distinguish between valid points and faulty thinking. He does not hold the group to a co-operative procedure, but is so agreeable that he accepts opinions of the members and gives them back to them without analysis--hence, the "mirror type". It is often well to let the group flounder for a while, when making up its mind on a problem, but it is more important to know when to sum up, to raise questions, encourage backward members and check side-line discussions.

SUMMARY

This is by no means a complete pamphlet on study group leadership. As you conduct meetings experience will teach you the best methods to use. You have to learn to put your own ideas and observations to work. There is no hard and fast rule but we hope that this will help you get started off right. The main points touched upon were:

- I Importance of membership participation.
- II Small groups of 8 and 12 most successful.
- III Stick to the subject under consideration.
- IV Reviewing makes for continuity.
- V Start and stop meetings by the clock.
- VI Plan your program to meet the members' interest.
- VII How to meet problems.
- VIII The ideal type of leader.
- IX What to avoid in leading a group.