

Organization and Management of Consumers' Cooperatives

Bulletin No. 1024

UNITED STATES DEPARTMENT OF LABOR
Maurice J. Tobin, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner



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Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., June 1, 1951.

The SECRETARY OF LABOR:

I have the honor to transmit herewith the revision of a report intended for the use of groups wishing to organize cooperative buying clubs or consumers' cooperative associations on the Rochdale plan. Both the original and the revision were prepared by Florence E. Parker of the Bureau's Office of Labor Economics.

EWAN CLAGUE, *Commissioner.*

Hon. MAURICE J. TOBIN,
Secretary of Labor.

PREFACE

The present bulletin is a revision of two previous bulletins (Nos. 598 and 665), the first of which was issued in 1934 at the request of the Consumers' Advisory Board of the National Recovery Administration.

At that time, as is always true in times of depression, wage earners were casting about for ways to make their shrunken incomes cover the necessities of life for their families. In such times, also, people are more willing to accept new ideas and to try new ways. The cooperative movement, banding people together in their purchases and returning to them all of the savings effected by quantity buying, seemed to offer possibilities, and workers became more and more interested in it as a philosophy and as an economic measure.

Their requests to the Consumers' Advisory Board as consumers and to the Bureau of Labor Statistics as wage earners led to discussions between these bodies and to a formal request from the Board that the Bureau issue material that would be helpful to wage-earner and other consumer groups desiring to undertake cooperative activities. The Bureau of Labor Statistics, in the pursuance of its authority under the act creating it, to "acquire and diffuse * * * useful information on subjects connected with labor, in the most general and comprehensive sense of that word," had for many years been collecting data regarding the consumers' cooperative movement. This information covered, among other things, statistics of membership and business, methods of operation, and causes of success or failure.

The Bureau's studies had shown that one of the most prolific causes of failure of cooperative associations—resulting in the loss of wage-earners' money, as well as in loss to the creditors of bankrupt cooperatives—was failure to organize on the proper basis, i. e., starting without adequate understanding of the cooperative principles, with unwarranted expectations as to the amount of savings likely to be effected, without knowledge of business management, of how and what to buy, and of proper accounting methods. All of these were mistakes that could be avoided if proper information on an authoritative basis were forthcoming.

To provide that information Bulletin No. 598 was issued. In the preparation of it, the Bureau drew not only upon its own fund of information but also upon the practical experience of the Cooperative League of the U. S. A. and its member associations.

The continuous demand for the report has demonstrated both the need and the desire for information of this kind. The important changes in conditions and in cooperative techniques that have taken place in the past few years have rendered misleading and obsolete many of the sections in the two reports. It has therefore seemed desirable to issue a revision that will deal with present conditions in a realistic way. As was the case in the previous revision, the Bureau has had the benefit of suggestions and criticisms of many persons, within and without the cooperative movement, who were qualified on the subject by experience and study. To these persons, too numerous to mention by name, the Bureau wishes to make grateful acknowledgment for the many very valuable suggestions received.

EWAN CLAGUE,
Commissioner of Labor Statistics.

JUNE 1951.

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**Bulletin No. 1024 of the
United States Bureau of Labor Statistics**

**ORGANIZATION AND MANAGEMENT OF
CONSUMERS' COOPERATIVES**

INTRODUCTION

Organization of a cooperative association is probably easiest in a group the members of which are personally acquainted. They may be neighbors or persons bound by some fraternal or racial tie which gives a sense of kinship, or members of the same labor union, church, community center, or farmers' fraternal or marketing or other organization. On the other hand, in recent years the increasingly widespread consumer consciousness has shown that it is entirely possible for a cooperative to start among almost complete strangers. This has been particularly true in urban areas. Indeed, a great deal may be gained by convincing the community from the start that membership in the cooperative is not limited to members of a particular organization.

Before launching a cooperative business the group should meet regularly for the purpose of studying and discussing the history, methods, and possibilities of cooperation. Members of the group should individually obtain as much information on the subject as possible. This preliminary education¹ has been found by experience to be vital.

The best way to begin is with small study groups, which should meet frequently in the homes of the members of the group. A discussion leader should be appointed from the group for each meeting, and each member should be given some preliminary reading to do.² Each member should participate in the discussion. A study group which continues for 6 months or a year will bring about a continuous increase in the members' understanding and knowledge of cooperation. About once every 4 or 6 weeks there should be a joint meeting of all of these small groups in the community, at which time some common problem should be discussed. Finally, meetings should be held at which the particular business enterprise to be undertaken should be the main topic for consideration.

¹ For an exposition of methods and procedures in cooperative educational work, see *Cooperative Education*, by J. P. Warbasse (The Cooperative League, 343 S. Dearborn St., Chicago 4, Ill.).

² For selected list of literature on cooperative subjects, see appendix K (p. 91).

Preliminary Survey

An advance survey of the proposed field is strongly urged before any business commitments or activities are undertaken. This should take into consideration (1) the nature and needs of the group to be served; (2) local business and other conditions; and (3) the factors to be considered in the selection of the cooperative enterprise—i. e., the possibilities (both advantages and disadvantages) offered by specific types of enterprise, and the cooperative resources and aids available in each line.

The preliminary survey should lay the basis for two group decisions: (1) Whether the community needs and is likely to support a consumers' cooperative, and, if so, (2) the initial type of commodities to handle or services to perform. The advice of persons experienced in business and in cooperatives should be sought in reaching these decisions.

Nature and Needs of the Group

An association whose members are not familiar with the principles and methods of cooperation is not on a sound basis. It cannot succeed without men and women who understand the meaning of distribution for service. First emphasis should, therefore, be placed on seeing that the members are imbued with these principles.

It is essential to ascertain what members may be counted upon to help with the initial problems of organizing the business and what types of leadership are available. Those most needed are persons with organizing and teaching or speaking ability, with business experience and judgment, with bookkeeping or accounting knowledge, and with legal training.

Survey of Local Conditions

This part of the preliminary survey³ should furnish the basis for decision as to whether (1) there is a real need for a cooperative (i. e., whether some additional or new economic function could be performed by a cooperative, or whether an existing activity could be carried on more effectively on the cooperative basis), and (2) the probable chances of success. Among the points this survey should cover are the competition to be met (the existing business agencies in fields feasible for a cooperative, and their volume of business); ways in which the cooperative could improve upon the existing situation; the probable extent of the trading territory available to a cooperative, and the probable volume of business; whether there are any other cooperatives in the locality; the probable number of persons who would be interested in a cooperative; whether previous cooperatives have failed in the territory and the causes of their failure; and the general characteristics of the community (num-

³ For outline of such a survey see appendix A (p. 50).

ber of local clubs, literary societies, labor unions, farmers' organizations, whether the population is stable, existence of opposing factions or cliques, etc.).

Considerations in the Selection of the Cooperative Enterprise

A basic consideration is the selection of the enterprise which will be undertaken. Generally speaking, it is wiser for a new group to start with a business activity for which a joint cooperative program is already under way and in which it can be associated with other cooperatives rather than to enter a field in which it will function alone.

1. *The credit union.*—Credit unions are cooperative associations for the encouragement of thrift and for making loans to their members. They meet a real need in supplying loans at moderate rates to small borrowers whose choice of sources of credit is very limited. A credit union may be of very great assistance, also, as an adjunct to a cooperative store. The machinery to assist in the formation of such associations exists in the Bureau of Federal Credit Unions of the Federal Security Agency, Washington, D. C., and in the Credit Union National Association, Madison, Wis.

2. *The gasoline filling station.*—Throughout the Middle West great success has attended the "oil associations" serving farmers' groups mainly. Their success has been due to concentration of business at one point and to dispensing with costly services. The margins in this field, although not so high as they once were, are nevertheless substantial. A cooperative group may find it advantageous to add a gasoline service to a store enterprise, or to make the gasoline station the starting point leading up to a store.

3. Other enterprises which might be considered are associations for the provision of medical service, hospitalization, burial service, coal, milk, housing,⁴ recreation, insurance, and restaurant or bakery projects.

4. *Consumer contracts.*—Cooperative groups may arrange for a definite discount on all purchases by their members from local tradesmen—clothing and tailors, haberdashers, electrical appliance, hardware, and furniture dealers, florists, druggists, bookshops, laundries, dry cleaners, etc. All savings made in this way through a club should be collected by the club, and at least part should be retained by it in a fund that can later be used to finance a store. In other words, this joint activity should lead to or supplement a store. Experience has shown that clubs that confine themselves solely to contract business do not make much progress as cooperative organizations.

5. *The cooperative store.*—In canvassing all possibilities, consideration

⁴ Bulletin No. 858 of the Bureau of Labor Statistics (Organization and Management of Cooperative Housing Associations) may be purchased from the Superintendent of Documents, Government Printing Office, Washington 25, D. C., at 20 cents a copy.

should be given to a program which begins with or leads directly into a grocery or a general store. If the group favors the starting of such a store, it is important to consider what commodities most of the group need and will buy, the quality and prices to which they are accustomed, the sources of supply, and the commodities on which a substantial saving can be made. In urban communities the food store will usually be found most feasible, possibly with some incidental supplementary lines, especially if these are carried by the cooperative wholesale in that region. In the country it will often be advisable to include some farm supplies and "general merchandise"—work clothes and shoes, underwear, notions, and household supplies.

There are weighty considerations both for and against the selection of food as a starting point in cooperative activity. The margins are small, and the competition is keener in this than in most other lines. Some cooperative leaders earnestly urge new associations first to enter other lines with greater possibilities of saving, such as insurance, gasoline and oil, or, in rural sections, electric power.

On the other hand, a store has certain decided advantages. It lends itself readily to the type of neighborhood organization under which cooperatives function best. Food is the greatest common need and is the largest item in most family budgets. Even on the farm, spending for consumer goods considerably outweighs spending for farm supplies. Therefore, it is less difficult in this field to carry out the cooperative theory of supplying a "known demand" by organizing people and a market before incurring the business liabilities which are involved in supplying it. This is of special value for safety in the beginning stages. Food does not present the hazard of great variation in season or in style, and one selection will meet the tastes of a fairly wide group. The interest of the women of the household is more easily aroused if food is carried than would be true of many other lines. For these reasons, the grocery store has been the traditional starting point of consumers' societies in many countries. Because of these considerations, much of the discussion of the business aspects of cooperatives herein relates to food and general-merchandise stores.

Before undertaking the organization of a new cooperative enterprise, the group would do well to find out whether there is a cooperative already in operation in the locality or near by.⁵ If such exists, the new group should consider the advisability of becoming a unit of that organization. Generally, one large cooperative has a better chance for success than several small ones. The group should also get in touch with and try to interest local labor unions or farm groups in the proposed enterprise.

⁵ Such information can usually be supplied by the U. S. Bureau of Labor Statistics, Washington 25, D. C.

The cooperative movement is not firmly established in any region until local associations have combined to build strong central organizations which the consumers control and which pool their buying power, perform many common services, and may later go into production to meet their needs. Before this is done the success of a local isolated association is uncertain, and its continuous expansion requires even greater effort. Considerable success has attended the organization of cooperative wholesaling in the United States and there are in existence a number of regional cooperative wholesales which not only can act as sources of supply but are equipped to provide valuable assistance on merchandising problems. Any store group which is organizing independently should, therefore, find out (1) what recognized cooperative wholesale is acting in its territory;⁶ (2) what commodities and services it handles, and what, if any, manufacturing or processing it carries on;⁶ and (3) whether the new group is eligible for services and for membership in this wholesale. Usually membership is open to any group (even though small) organized under Rochdale principles. Some farmers' wholesales, however, limit their membership to farmers' organizations or limit the proportion of nonfarmer members.

⁶ For a list of cooperative wholesales and the commodities and services available through them, see appendix J (p. 88).

PART 1.—CONSUMERS' COOPERATIVE ASSOCIATIONS¹

Preliminary Organization Work

The essentials of a well-informed initial membership for a cooperative association will not be met unless many preliminary meetings for discussion are held and house-to-house canvassing carried on. This requires volunteer work on the part of the first members, and some money for printing, hall rent, etc. The money for such organizing should not come out of share capital contributed by the members but should be raised through voluntary contributions by all who are interested, through a per-capita organizing assessment, through special social functions, or through the business operations of a buying club. It is often necessary to get direct contributions and then raise other money in addition. An organizing fee of \$2-\$5 for each member may be collected. After the association is incorporated an application fee of the same amount may be established which those who have paid the organizing fee may be considered already to have paid.

Those who are to be the active organizers and canvassers should know what cooperation means. Great injury has been done to the cooperative movement by organizers who have not understood consumers' cooperation and who have therefore given a false impression to the members they enrolled. Organizers should not make exaggerated claims of the benefits of cooperation; they should not promise large patronage refunds, cut rates, rapid expansion to other communities, nor extension of credit. Such promises encourage people to become members on the basis of false hopes, and when the promises are not fulfilled the reputation of the association suffers. Organizers may, however, point out the advantages of ownership by the patrons and of consumer-controlled quality of goods.

Thus there should be careful instruction of the organizers. They should be familiar with cooperative history and theory. They should realize that only small monetary returns are probable during the cooperative association's first few years. They should emphasize the ideal of a nonprofit business institution owned by the people whom it is to serve. If possible, some of the early members should attend training schools or the summer institutes conducted by central cooperative organizations.² Failing this, they should subscribe to a correspondence course on cooperation. Visits to other cooperatives are also valuable.

¹ For general considerations which should govern the formation of any kind of consumers' cooperative organization, see Introduction, p. 1.

² Information as to the courses being given or planned at any given time may be obtained from The Cooperative League, 343 South Dearborn St., Chicago 4, Ill.

To build up an organization of sufficient size and with sufficient capital to operate a modern supermarket, it will probably be necessary to hire a full-time experienced organizer. His salary and expenses should be paid out of the organizing or application fees. Funds received for share capital should not be used for this purpose.

As soon as enough intelligent interest has been created and a sufficient number of members enrolled, the organization of the cooperative association may begin. A preliminary committee should be appointed. Its duty should consist in securing all available information on the details of organization; such information can be obtained from the regional cooperative wholesales or from the national cooperative organization. The committee should consider the qualifications of the cooperative's members, with a view to making nominations for the board of directors and the necessary committees at the organization meeting.

First Organization Meeting

When the preliminary work has been done, when sufficient capital and an adequate number of members pledged to patronize the store are assured, an organization meeting should be called. Until final organization is effected, the meetings should be informal and directed by a temporary chairman and secretary elected from the floor.

The business to be transacted at the organization meeting may include:

1. Explanation of the purposes of the meeting, and discussion.
2. Adoption of temporary bylaws.
3. Election of board of directors.
4. Election of committees (except such as are to be appointed by the board of directors).
 - (a) Committee on incorporation and preparation of charter and bylaws.
 - (b) Committee on membership.
 - (c) Committee on education.
 - (d) Committee on research and quality of goods.

The conveners of the meeting should come prepared to explain in detail the purposes of the meeting and the reason for organizing a cooperative association, and they should invite all the discussion possible. If those present do not seem sufficiently interested in the idea, committees may be appointed for further canvassing or a more complete survey, but no actual organization should be attempted. However, if those present are strongly in favor of proceeding with organization, regular committees should be appointed as outlined above. Tentative rules or bylaws should also be presented at this meeting so that those present may know how a cooperative association is organized. The meeting

should not close until everyone present has had a chance to raise any questions that seem important.

The committee on incorporation will take up the question of incorporation under the laws of the State in which the proposed enterprise is to operate.³ It should prepare a charter or articles of incorporation and a tentative set of bylaws. This committee should write to the secretary of state and to the nearest cooperative wholesale for information, and again for approval of the bylaws when completed. These precautions help to insure legal correctness and adherence to cooperative principles and practices, but it is a good plan to have a local attorney also scrutinize the bylaws from the legal standpoint.

The committee on membership will seek new members. The committee on education will plan further meetings of the present members, with adequate educational programs. The committee on research and quality of goods will investigate the sources of quality goods, the conditions under which goods are manufactured, etc.

The directors will look into such matters as location for the store, fixtures, types of merchandise to be carried, availability of a trained, efficient manager, and bookkeeping methods. A frequent mistake is to employ the organizer as manager. The latter position calls for quite different abilities than organizers generally possess. It is important that the manager be a person trained in both business operation and in cooperative methods.

Charter and Bylaws

Articles of incorporation (the charter) should be drawn up and filed with the proper State office⁴ and a set of bylaws should be adopted before the association begins business. (For suggested by-laws, see p. 52.) The form of the articles of incorporation is usually established by the laws of the State and must be closely followed, although the details are determined by the association to meet its own particular needs.⁵ It is recommended that both the articles of incorporation and the bylaws be printed or mimeographed and supplied to all the members. If this is done, many of the provisions of the articles need not be repeated in the bylaws; this has the further advantage that if, later, it is desired to amend the articles, similar amendments will not have to be made in the bylaws also. Rochdale principles and methods should be incorporated

³ An excellent law (76th Cong., Pub. No. 642), passed in 1940 by Congress for the District of Columbia, is broad enough in its terms to permit incorporation by groups in other States. Groups in States with no consumers' cooperative act, or having legislation not satisfactory from the cooperative standpoint, might consider the question of incorporating under the District of Columbia Law, the text of which is given in appendix G (p. 74). An attorney should first be consulted to find out what disadvantages there may be, under the State laws, for organizations of out-of-State incorporation.

⁴ Usually there is a fee for filing both the charter and the bylaws.

⁵ A copy of the cooperative law of any individual State may be obtained from the U. S. Bureau of Labor Statistics, Washington 25, D. C., and probably, also, from the State secretary of state.

in the articles and bylaws and strictly adhered to in the administration of the society.

Rochdale Principles

1. Open membership, without restriction as to race, sex, religion, or political or other affiliation.

2. Democratic control. One vote only for each member, regardless of number of shares held. No voting by proxy.⁶

3. Limited return on share capital (if any is paid),⁷ at not more than the current rate in the territory where the association is located. Share capital should never rise above par.

4. The remainder of the net saving⁸—after payment of a limited return on capital and after appropriate allocations to reserves—returned to customers as patronage refunds in proportion to the patronage of each, or retained in the association's treasury as share or loan capital or equity reserves credited to the patrons' accounts, or to be used collectively for the general or social good of the members.

5. Neutrality, on the part of the association, on political, religious, and other extraneous matters on which individual members may entertain different opinions.⁹

Rochdale Practices

1. Business done for cash, and continuous educational work carried on in favor of this practice.

2. Reserves appropriated from net savings, before declaring patronage refund.

3. Goods distributed at current market price—not at cost.

4. Continuous education in history, economics, and practices of cooperation.

5. Efficient bookkeeping and accounting, outside audits, and regular, understandable, and complete reports to members.

6. Bonding of manager, treasurer, or anyone else handling money.

7. Continuous expansion of existing services and addition of new services as fast as feasible.

⁶ There appears to be some confusion as to the difference between voting by mail and voting by proxy. A member who votes by mail votes on a specific question, concerning which he is notified in advance, thus expressing his own conviction on the matter at issue; one who votes by proxy, by the act of giving the proxy, appoints another to act in his stead on any matter that may arise at the meeting and thus relinquishes his own right of decision. However, even voting by mail is not so desirable as voting in person because members voting by mail do not have the benefit of the discussion at the meeting before casting their votes.

⁷ No return should be paid unless the association shows an operating surplus.

⁸ The "net saving" of a cooperative for any given period is the excess of its income over its expenses during that period.

⁹ Regardless of the political affiliation of the individual members, the cooperative association should wear no political labels. Directors, members, and employees should see to it that the association keeps clear of political entanglements. Factionalism and dissension arise from the misguided zeal of members who are adherents of particular sects or parties and who want to commit the entire organization to their beliefs.

8. Honest and full information to members about merchandise; maintenance of quality standards; and (as far as possible) purchase of supplies made under good labor conditions.

9. Affiliation as soon as possible with the nearest cooperative educational organization and with the nearest cooperative wholesale.

Articles of Incorporation ¹⁰

Associations should write to the secretary of state at the State capital for a copy of the law governing cooperative associations. Incorporation limits the liability of the individual members and gives certain other legal advantages.

In some States the cooperative law is very weak from the cooperative standpoint, and in such cases the group may decide to incorporate under the 1940 District of Columbia Consumers' Cooperative Act (see p. 74), which permits incorporation by nonresidents. An alternative course, in a State without a cooperative law or with an unsatisfactory one, would be to incorporate under the regular corporation act, putting the cooperative provisions in the articles of incorporation or bylaws. The drawback is that the establishment of the Rochdale principles of one vote per member, no proxy voting, etc., is more difficult. Thus, the business corporation law sometimes requires that voting be on the basis of number of shares held. Two possible solutions are (1) to organize, if the corporation law permits, as a nonstock corporation (in that way, each member could have one vote) and (2) to have two classes of stock—one voting and the other nonvoting—with the provision that no member may hold more than one share of the voting stock. Nonstock corporations may be exempted from State or Federal taxes based on capital stock and are more likely to be regarded as "nonprofit" organizations entitled to exemptions accorded to such groups from various regulatory laws. Many existing consumers' cooperative laws, also, permit the formation of nonstock as well as stock corporations. However, the raising of capital may be more difficult in a nonstock cooperative.

Under some general corporation laws it may be impossible to avoid proxy voting or to safeguard the right to make refunds on the basis of patronage. If proxy voting cannot be avoided, it may be possible to provide that no one may cast more than one proxy, that the secretary must be notified at least a week in advance of a meeting if a member wishes to vote by proxy, and that only a member may cast a proxy vote. The danger to democratic control inherent in proxy voting may be greatly lessened by such provisions.

Also to be considered is the possibility of using the so-called "non-

¹⁰ Advice on incorporation may also be obtained from the various regional wholesales listed in appendix J (p. 88).

profit" statutes of some States, applying to the incorporation of educational, scientific, mutual benefit associations, and like organizations.

The number of incorporators required varies from State to State, but usually the application must bear the signatures of 3, 5, or 7 persons. Such information as the following may also be required in the articles of incorporation (charter):

Exact name of the association.

Purpose for which it is formed.¹¹

Powers of the association.¹¹

Whether it is to be a stock or a nonstock corporation.

The amount of authorized capital stock (if a stock corporation).¹²

The par value of a share and the number of shares authorized to be issued.

Limitation of interest on share capital.

Limitation on the number of shares to be owned by one person.

The minimum amount of stock with which the association begins business.

Limitations of voting power.

Methods of disposing of earnings.

The name of the city or town and county where the head office is to be.

The period of validity of the articles of incorporation (usually "perpetual").

The number of directors, with the names and addresses of the initial directors.

The names and addresses of the incorporators, with number of shares for which each has subscribed.

Rights of members and patrons, upon dissolution.

A seal should be designed and provided.

Bylaws

Whereas the articles of incorporation establish the legal status of the association, the bylaws are the common as well as legal rules governing the relations of members, officers, and employees. The chief points to be covered in the bylaws are the following:

Name.—This should be the same as given in the articles of incorporation and should include the word "cooperative," if the law permits. "Association" or "society" is better than "company." The name may also include the name of the city or district where the association is located. It is generally desirable to add "Inc." to the name to indicate that the association is incorporated.

Purpose.—Need not be so detailed or inclusive as in charter. Bylaws may easily be amended to add services authorized by charter.

Membership.—Qualifications, responsibilities, and privileges.

Capital.—How subscribed and paid, limitation on shareholding and on interest to be paid, etc.

Meetings.—Date, how called and conducted, quorum, special meetings, etc.

Directors and officers.—Number, how elected, duties, and disqualifications of, vacancies, meetings, etc.

¹¹ It is desirable to include all the purposes and powers enumerated in the State law.

¹² In most States it is not required that the entire amount of capital for which the association is incorporated shall be raised before starting business; therefore it may be wise to set this figure in the articles of incorporation and/or bylaws much higher than actual immediate requirements, so that it will not be necessary to go through the troublesome process of increasing the authorized capitalization within 2 or 3 years (since a cooperative is not permitted to sell stock in excess of its authorized capitalization). The laws of the State on this matter should be consulted before this amount is established.

Voting.—Method, limitation on number of votes, etc.

Net saving.—Distribution to interest, reserves, education, and patronage refunds.

Management.

Committees.—Designation of and duties.

Miscellaneous provisions, such as bonding, fiscal year defined, cash sales or limitations on credit, amendments, dissolution.

Those matters included in the articles (or charter) do not need to be repeated in the bylaws; if, however, they are repeated they should be exactly as given in the articles, as the latter control.

Membership

Cooperative associations are benefited by increase of membership. New members (with their patronage and shares) not only make the group stronger but keep the association from being an exclusive and closed corporation run in the interest of a few.

Unless there are legal barriers (as in the case of certain farmers' cooperatives), a cooperative should sell to nonmembers as well as to members. Such patronage is a valuable means of interesting them in the organization and its purposes. Although the law in some States provides for the payment of patronage refunds in cash to nonmembers, it is preferable (where it can be done legally) to credit the nonmembers' refunds on the purchase of a share, so that they eventually become members.¹³

No eligible person with purchasing power should be refused admission because he lacks the money to buy the required shares. He should be permitted to join upon paying \$1, as the first payment on a share or application fee. Refunds from his patronage should be applied as further payments on his stock. He becomes a member with full privileges when the necessary amount of stock has been paid for. Care should be taken to see that this privilege is not abused, however, and some reasonable time limit may be set for accumulating the amount of share capital specified.

It is impossible to lay down any hard and fast minimum as to the number of members the new association will need to be successful. The number will necessarily depend on the local conditions, the amount and variety of merchandise to be carried, and other factors. For successful operation, present-day conditions require a larger number of members and considerably more capital than was previously the case. The grocery store of today must operate in a well-organized, highly competitive market where margins are small. At least 200 members in a rural community and at least 300–500 members in a city would be desirable. It is well to bear in mind also that some of the early members may desert the organization or may provide little patronage and that a small mem-

¹³ See also discussion, pp. 36–38.

bership can rarely provide sufficient volume of business so that the margin between wholesale cost and retail sales will cover the overhead expense of operating a store. For these reasons an initial membership of 600-1,000 members in the city would provide a better assurance of success. (See also "capital requirements," p. 20.)

It should be remembered that continuous patronage is essential to the success of the association. Every member should patronize his store faithfully. Without such support, effective operation becomes impossible and capital will automatically be depleted.

The best cooperatives provide for means of buying back the stock of inactive members and reselling it to other members or to active patrons who have not yet become members. This eliminates the "deadwood" within the association and insures an active membership.¹⁴ In a consumers' cooperative association all patrons should be encouraged to become members, so that the body of patrons and the body of shareholders will be as nearly identical as possible.

Capital

Share Capital

The price of a share in a store association is sometimes specified by the cooperative law of the State. Where this is left to the discretion of the association the amount of the share should range from not less than \$10 to not more than \$25. Shares of moderate value are to be preferred, in order that persons of small means may not be debarred from membership.

Each member should be required to subscribe for one or more shares, depending on the capital goal to be reached, which may be paid for in installments.¹⁵ Cash refunds on patronage and returns on shares (and in some instances voting privileges) are usually withheld until the shares are fully paid.

It is a fundamental of consumers' cooperation that shares shall never be given a value above their par or original value.

The importance of adequate capital should be emphasized. It enables the association to buy to better advantage, to benefit by discounts for cash transactions with suppliers, and in many other ways to work more effectively. Members should be encouraged to subscribe for more than the minimum number of shares required by the bylaws. Inadequate capital has contributed to the failure of many associations and has been

¹⁴ Under one such plan, called the "rotating-capital plan," the patronage refunds each year are paid partly in cash and partly in new shares. The amount of capital needed for the ensuing year is decided by the membership, and any surplus funds are used to retire old shares in the order of issue. This results in eventual elimination of "deadwood," for in order to retain membership, continued patronage is necessary, as only thus can new shares be acquired.

¹⁵ Before issuing share certificates, the association should consult the office of the General Counsel of the Securities and Exchange Commission, Washington, D. C., to ascertain whether the association is subject to the Federal Securities Exchange Act.

a severe handicap to countless others. Only with efficient management, extreme economy of expenses, and maintenance of a small inventory can the poorly financed store become successful, even with loyal support of the members. If sufficient capital cannot be raised at the outset, it is wiser to postpone starting than to let the enterprise fail later for want of funds.

Loan Capital

Additional capital may be obtained later if the members allow their interest on shares and returns on patronage to remain on deposit with the association in the form of shares or loan capital. Loan capital may also be borrowed from members and nonmembers, but expansion of activities on this basis should be undertaken only with extreme caution.¹⁶ Some associations also make use of preferred stock, especially to finance expansion.

Amount of Holdings in Capital

The amount of share or loan capital that any person may hold should be limited to \$2,000 or \$3,000 or 5 percent of the total paid-in capital, whichever is less. The entire amount of loan capital from all sources should not exceed 50 percent of the paid-in capital.

Withdrawal of Capital

Transfers of shares from one member to another or to an acceptable nonmember may be authorized by the board; or, if the law does not expressly forbid, it may purchase such shares out of surplus funds if such exist. *Withdrawal* of share capital should not be allowed unless it can be done without injury to the association. The latter should have some provision against unrestricted withdrawals, to safeguard it against drains of funds essential for its needs and against possible runs instigated by enemies or dissatisfied members or factions. However, difficulties encountered by cooperatives in the past in raising adequate capital have been due, in part, to inability of members to realize on shares in times of necessity or distress. It is desirable, therefore, that a cooperative redeem its stock quickly, on request, if to do so will not impair its financial position. The reputation of capital liquidity so gained will facilitate the raising of additional capital when needed.

¹⁶ One cooperative leader sets forth his opinion, based upon years of practical experience, as follows: "I have seen cooperative stores destroyed by the withdrawal of loan capital upon which they had depended for years after they had expanded beyond what their original capital would permit. I have seen even worse abuse, by members' controlling the whole store practice by threat of withdrawing loan capital which would destroy the cooperative if withdrawn. I have seen wholesale concerns suddenly curtail the credit of an institution when it has been suggested to them, by members having loan capital, as a means of making the cooperative conform to the will of those who have the loan capital. No wholesale house will knowingly extend desirable credit to a concern which makes use of any substantial amount of loan capital unless it is in the form of preferred stock or some contract whereby it cannot be withdrawn until the creditors are all satisfied. I think it is an extremely dangerous practice for a cooperative to expand its operations based on loan capital."

Loan capital should be withdrawable in small sums on 7 days' notice, but in large sums only on 60 or 90 days' notice; otherwise there is a danger of a run on the loan fund in time of strike, other unemployment, or trade depressions. Preferred stock is a safer form of capital, for it cannot be withdrawn on such short notice. In order to protect the funds of those who invest relatively large sums, some cooperatives provide that all stock in excess of the minimum shares required for membership shall be preferred stock—preferred both as to interest return and as to value at dissolution of the association.

Return on Share Capital

At the time of starting the association, the maximum rate of return on share capital should be decided upon. The rate should never fluctuate with net savings, though it may vary as the association itself needs more or less capital and thus encourages or discourages such investment by the members. The rate paid should not exceed the current rate. In the absence of any legal requirement on this point, the association may decide to pay nothing on amounts less than \$100, or even to pay no return at all. No return on shares should ever be paid unless the earnings of the business are sufficient to permit.

Before any decision is made regarding the rate of return, the law (cooperative or other) should be examined, as some States set specific maximum rates which may be paid on share capital.

Directors

The board of directors may consist of from 5 to 11 members,¹⁷ elected by secret ballot. These directors are chosen from a list of candidates, numbering at least 50 percent more than there are positions to be filled, submitted by a nominating committee. (At the outset of the association, the nominating committee should be elected by the membership; thereafter, it is appointed by the president of the cooperative.) The committee should make a diligent effort to find qualified candidates, and it should check on their willingness to serve if elected. Nominations should also be permitted by petition or from the floor at the meeting. Provision for voting by mail may be made if care is taken to insure security and secrecy of ballot.

It is recommended that the directors be chosen at the first election to serve for different periods: Part for 1 year, and part for 2 or 3 years; at all subsequent regular elections, part of the board should be elected for a full 2- or 3-year term. Some associations, however, adopt a straight 1-year term for all directors, reasoning that an able director can be re-elected if the membership so desires.

A board of seven or nine members serves to engage the interest of

¹⁷ Many State laws set a minimum or maximum number which must be observed.

more members than does one of smaller number, makes possible the creation of board committees to handle certain phases of its activities, and is more likely to represent the views of the entire membership. In order to make possible fast action and continuous board authority between board meetings, the officers may act as an executive committee.

It should be definitely established that no individual on the board of directors is himself engaged directly or indirectly in the making of profit from any enterprise buying from, selling to, or operating in competition with the cooperative. Some associations pay a nominal amount to directors for attendance at meetings, so as to insure the presence of the full board, but the amount should not be large enough to tempt even the poorest members to seek the office for the sake of its financial rewards; \$1 to \$2 per meeting is probably enough.

The board should be so selected that every large element within the membership is represented by at least one director. In the case of large associations, directors may be chosen by districts, to insure better, more direct, and more responsible representation of the members. Some cooperatives use the method known as proportional representation, to insure that all elements are represented in the board of directors.¹⁸ Directors should be persons who can devote time to the oversight of the operating and other problems of the association.

It is also desirable if these directors supplement one another; thus, at least one might be efficient in bookkeeping, another in merchandising, another in educational and propaganda work, and another in legal problems. The directors should not devote themselves entirely to the theoretical and educational activities of the organization, but neither should they be so engrossed in the commercial aspect of cooperation that they neglect their opportunity to develop interest and enthusiasm in the subject of cooperation among the employees as well as the members. They should have a good knowledge of practical affairs as well as cooperative history and principles. They should be chosen for their good judgment, knowledge, and ability, and not for their capacity to talk. Their selection should be a matter of serious concern; they have heavy responsibilities.

In general, the directors have three chief duties: To develop policies based upon an accurate knowledge of the operations; to employ persons to carry out those policies; and to see that the policies are carried out. Among their specific duties are the following:

1. To engage a manager for the association, who shall determine and assign the duties of the labor force, supervise their work, and manage the operation of the business. The board may reserve the right to approve or disapprove appointees to key positions, such as assistant manager or heads of departments.

¹⁸ Information as to how a system of proportional representation works may be obtained from the National Municipal League, 299 Broadway, New York, N. Y.

2. To provide suitable premises, equipment, and plant for the business.
3. To adopt general policies for the conduct of the business, and see that it is carried on in accordance with the bylaws.
4. To control all investments (in shares, loans, land, or other property).
5. To adopt a budget for the cooperative, and see that it is observed.
6. To receive and act upon regular reports from the manager.¹⁹
7. To administer the distribution of the earnings, such as for interest, reserve, patronage refunds, and educational funds.
8. To formulate good personnel policies for the cooperative, insuring good conditions and wages for its workers;²⁰ and to demand and obtain equivalent results in superior service, faithfulness, and diligence.
9. To convene the regular meetings of the membership, provided for in the bylaws, call special meetings, and render full and informative reports thereto.
10. To maintain a direct and vital connection with other cooperative organizations both in this country and abroad.
11. To foster a spirit of enthusiasm for cooperative work both in the staff and in the members of the association, and to identify themselves with every good feature of cooperative activities.

To facilitate carrying out their duties, the directors may find it advisable to adopt a statement governing board procedure, rules of order at board meetings, etc.

The directors should always bear in mind that they are acting for the association and are responsible to the members for the loyal performance of these duties. They should also realize that individually they have no authority; that rests within the board as a whole. Each director shall also be expected to give loyal patronage to the cooperative store, but should not be allowed to purchase on credit.

The directors may elect, as heretofore suggested, an executive committee to perform certain special functions, or to act for the board in emergencies or between meetings. The board itself should meet frequently (say once each week) for the first few months, and at least once a month thereafter.

Officers

Officers should be elected by the board of directors rather than by the membership at large, for the directors are usually better qualified than the members to know who will fill the various positions most efficiently. The usual officers are the president and vice president who should be board members, and the secretary and treasurer who are not necessarily board members.²¹

The duties of the president are to preside at all meetings, carry out the will of the members, and watch over all affairs of the association.

¹⁹ For suggestions as to the frequency and content of such reports, see appendix H (p. 84).

²⁰ It is pointed out by some cooperative leaders that in the early days of a new association employees may be called upon for some sacrifice, while the association is getting upon its feet. Once that is done, the association should provide good working conditions and wages, always bearing in mind that the association is operating in a competitive field and that wages substantially above those paid by its private competitors may prove a fatal handicap.

²¹ See footnote 51 of bylaws (p. 61)

The vice president takes over the responsibilities of the president in the latter's absence.

The secretary is sometimes also the treasurer.²² He serves as secretary both at the meetings of the directors and at members' meetings. In small associations his duties are to keep the minutes and records and attend to correspondence. He should also be the official custodian of the seal, the stock book, and the membership records.²³

The treasurer keeps watch over the bookkeeping and accounts. He should take such steps as are necessary to assure himself that the accounts are being kept accurately, and that the funds are being handled properly. He should also make periodic reports to the board and to the membership.

It is very desirable that persons serving as secretary and treasurer have knowledge of accounts and business procedure.

Membership Meetings

It is customary to hold general meetings of the members annually or semiannually. Additional meetings may be held if speakers or materials for interesting discussion are available.

The annual meeting is the most important of all, for here the elections take place, and the annual financial report, manager's report for the year, and other important matters come up for review.

The business transacted at all meetings usually consists of reports of officers, committees, and manager; discussion of reports; action on directors' recommendations; elections; and new business. Notice of regular meetings should be sent at least 10 days in advance. The date for the annual and semiannual meetings should provide a sufficient interval after the close of the fiscal period to allow the auditor time to prepare his report for consideration at the meeting.

The number of members constituting a quorum should be set by the bylaws. In small associations it may be 15 or 20 percent of the membership; in large ones it may be as low as 5 percent, or 100 members, whichever is less. In some States the minimum is set by law. If legally permissible, associations too large for a members' meeting should be divided into districts, each having local autonomy and delegate representation in the central society's meetings.

Special meetings may be called from time to time, but should take up only such business as is specified in the call.²⁴

The privileges of the membership meeting should be clearly understood. The membership should not vote upon questions requiring

²² This may be legally questionable in States where the law makes no provision for combining the two offices.

²³ An alternative method, especially in large associations, is to have two secretaries—a recording secretary and a corresponding secretary—thus dividing the responsibilities of the office.

²⁴ For discussion of the reason for this, see footnote 44 of bylaws (p. 60).

expert knowledge and concerning which it is not well informed. If the directors have been properly chosen they are the representatives of the members, and are charged with the responsibility of developing policies based upon the full information which they have had the opportunity to acquire. Having chosen such persons, then the membership need only review the policies of the board and management, discuss them, and express approval or disapproval. If the meeting disapproves, it should not attempt to dictate specific acts to either directors or manager, but may in extreme cases (if provision has been made therefor in the bylaws) recall the entire board of directors.

Questions requiring expert or technical information not possessed by the board should be referred to a qualified individual or committee, with instructions to report back to the membership with recommendations and reasons therefor. The membership can then vote to accept or not to accept the recommendations.

Good speakers may be invited to address the meeting when such are available, but discussion of political, religious, or other noncooperative questions upon which the membership may be divided should not be permitted; such discussions cause internal strife and may do much harm to the organization.

Meetings should be called by one or more of the officers. Special meetings may be called by the directors or by petition of a specified number of members, according to the bylaws.

Following the business meeting it is good policy to have an educational session, and occasional entertainment, with music, dancing, movies,²⁵ or refreshments. The members should feel that this is their social center.

Voting Power and Method of Voting

Equal representation should be insured by limiting each member to one vote irrespective of the amount of share capital owned by him. This prevents unequal privileges, insures democracy, and provides that membership shall always remain open to newcomers on equal terms with the founders of the association.

Any subscriber to share capital who has paid in full for the required number of shares should be entitled to vote, unless he has been deprived of this privilege (under the provisions of the bylaws) by action of the board. In some States full voting power must be granted when shares are subscribed for, and the subscriber immediately has full membership privileges. Unless the law specifically grants such privileges, however, it is well to withhold them until the qualifying shares have been paid for and a share certificate issued.

²⁵ Films on cooperative subjects are obtainable through the Literature and Film Department of The Cooperative League, 525 W. 76th St., Chicago, Ill.

Voting may be by show of hands or by "aye" and "no" vote, except in the case of election of directors or other matters on which there is a demand for a secret ballot.

Questions Relating to Initial Financing and Beginning of Operations

Several important factors of success should be considered and discussed thoroughly, in advance:

- (1) The amount of capital that will be required to start the business.
- (2) The kind of merchandise to be handled or services to be rendered.
- (3) The probable monthly business and average patronage per member.
- (4) The probable trading income from such business, considering local competitive conditions.
- (5) The probable cost of operations and the resulting margin for safety, on the basis of (a) cash and carry service or (b) delivery service, and (c) credit cost (if any credit is given).

Capital Requirements for a Store Association

The amount of capital required will differ according to the nature and needs of the business to be undertaken. A bakery may require more capital than a restaurant or store. A housing association will need a very large initial capital. A credit union or a buying club, on the other hand, can start with only a few dollars. The following discussion is based upon the requirements of the cooperative store association.

The general merchandise store is ordinarily impracticable in a large city. It will usually be found advisable for the city association to handle dry or canned groceries, meat, and fresh produce. It should be stressed, however, that the handling of meats involves special problems of merchandising. In the country community or mining town, work clothes, shoes, underwear, work tools, general household supplies, small hardware, notions, perhaps some stationery and electrical appliances, may also be carried.

The amount of capital needed will depend upon the number of members, the expected patronage, and the expected turn-over²⁶ of merchandise, as well as upon the location of the store (whether rural or urban) and the lines of goods handled. The savings made by the association are dependent on the rapidity with which the stock is sold as well as on the efficiency of the administration.

The rate of turn-over of inventory will vary according to the kind of goods handled. In the grocery department the association should aim

²⁶ I. e., the rate at which the merchandise is sold (turned over). Rate of turn-over equals inventory (merchandise on hand) at beginning of period, plus purchases of merchandise, minus inventory at end of period, divided by average inventory during period. (Average inventory equals inventory at beginning plus inventory at end, divided by 2.)

at a stock turn of 18–20 times per year, and in the meat and produce departments of 22–25 times. General merchandise items will turn over at a considerably slower rate than food.

If business is done only for cash, one-half or more of the goods purchased during the month for replacement stocks may be paid for on receipt of invoice, and goods purchased in the last days of the month may usually be paid for before the tenth of the following month, to receive cash discounts. It is very desirable that the cooperative be able to take such discounts. This practice builds up a firm credit and is a substantial source of savings.

It should be emphasized that no hard and fast rules as to capital requirements can be laid down. Each group, before starting, will have to take into consideration the local conditions and any special circumstances that may be present. The following are suggestions only, based on cooperative experience in various parts of the United States.

North Central States.—Central Cooperative Wholesale gives the following as minimum requirements for successful operation for (1) a city store doing a business of \$8,000 per month, and (2) a country store doing a business of \$6,000 per month. Both should have at least 200 members and pledged patrons before starting, estimating average per capita purchases to be at least \$40 per month.

	<i>City store</i>	<i>Country store</i>
Sales volume per week	\$2,000	\$1,500
Stock turn-over	15	12–15
Funds needed:		
Opening inventory	\$5,400	\$5,400
Fixtures and equipment	5,000	6,000
Working capital	1,300	1,300
Total	\$11,700	\$12,700

The foregoing figures for the city store assume that groceries (including fresh fruits and vegetables) and fresh meats are carried. For net sales of \$8,000, the wholesale cost of goods sold during the month would be \$6,720 on a gross margin of 16 percent figured on net sales, and therefore \$6,720 worth of goods must be purchased during the month to replace merchandise sold and to have a stock of \$5,400 on hand again on the first of the next month.

In the country store, stocks would include groceries and meat, work clothing, work shoes and rubber footwear, underwear, some children's clothing, women's house dresses, etc. (no yard goods), general household supplies, small hardware, and notions. Some of these are higher-margin goods than food, but generally their turn-over is slower. If feeds are included (in a farm community) they would tend to reduce the gross margin.

A cooperative leader in another North Central State believes that

an urban cooperative store should have at least \$35,000 in capital before opening, and 1,000 members living within 1-3 miles of the store.

South Central States.—Consumers Cooperative Association sets the minimum sales volume for a successful meat and grocery store in city or town at \$4,000 per week, with a stock turn-over of 18 times. On that basis the following is calculated as the amount of capital needed:

Opening inventory.....	\$12,000
Fixtures and equipment.....	18,000
Operating capital.....	5,000
Total.....	\$35,000

This wholesale recommends that each member family be required to purchase one share of voting (common) stock, and that the rest of the capital be raised by the sale of certificates of indebtedness.²⁷

Northeastern States.—Examples of the successful operation of a city store in the East, handling groceries, produce, and meats, are given below:

	Store with— 2,300 sq. ft. ¹	6,000 sq. ft.
Volume of sales per week.....	\$5,500-\$6,000	\$18,000
Stock turn (groceries) ² times..	16	20-24
Funds needed:		
Inventory.....	\$12,000	\$24,000
Fixtures and equipment.....	18,000	36,000
Working capital.....	5,000	10,000
Total.....	\$35,000	\$70,000

¹ But see discussion, p. 27.

² The store should aim to turn over its meat inventory once a week and its produce inventory every other day.

As a very minimum the city store in the East needs 300 loyal member families spending an average of \$20 per week (a total of \$6,000). Some cooperative leaders believe that a cooperative store in a large industrial city must, in order to be competitive, have a volume of \$10,000-\$25,000 per week.

Far West.—Associated Cooperatives (California) suggests the following as a minimum for a store doing a weekly volume of \$2,550 (\$1,500 in groceries, \$750 in meat, and \$300 in produce), and having a stock turn of 13-14 times:

Inventory.....	\$6,600
Fixtures and equipment.....	9,000
Working capital.....	500
Total.....	\$16,100

In the Pacific Northwest the desirable minimum weekly volume for a city store is set at \$12,000, with a stock turn of 18 times.

Recapitulation.—The statement below shows, in terms of capital per

²⁷ The sale of preferred stock is another method that may be used. (It should be pointed out that both these methods entail outlay for interest; interest may or may not be paid on common stock.)

member, just what would be necessary in order to raise the capital suggested as the minimum in the foregoing examples:

<i>Estimated required capital</i>	<i>Necessary to raise this capital</i>
\$11,700.....	117 members at \$100 234 members at \$50 468 members at \$25
\$12,700.....	127 members at \$100 254 members at \$50 508 members at \$25
\$16,100.....	161 members at \$100 322 members at \$50 644 members at \$25
\$35,000.....	350 members at \$100 700 members at \$50 1,400 members at \$25
\$70,000.....	700 members at \$100 1,400 members at \$50 2,800 members at \$25

Alternative method:

	<i>Common stock</i>	<i>Preferred stock or certificates of indebtedness</i>
\$11,700.....	200 members at \$25 = \$5,000 or 300 members at \$25 = \$7,500	plus \$6,700 plus 4,200
\$12,700.....	200 members at \$25 = \$5,000 or 300 members at \$25 = \$7,500	plus 7,700 plus 5,200
\$35,000.....	500 members at \$25 = \$12,500 or 500 members at \$50 = \$25,000 or 200 members at \$50 = \$10,000 and 300 members at \$25 = \$7,500	plus 22,500 plus 10,000 plus 17,500

In a cooperative association it is preferable to have a large number of members each contributing a moderate amount than to have a small number providing substantial sums. The goal of the consumers' cooperative is to reach, serve, and convince as many consumers as possible, so that all may share in its benefits.

Capital and Initial Equipment for a Petroleum Association²³

The amount of capital needed by an oil association will vary greatly. It depends upon (1) the amount and kind of equipment to be purchased, (2) whether the association is going to operate a bulk plant only or whether a service station is also to be operated.^{23a} The type of service

²³ Material supplied by Consumers Cooperative Association (Kansas City, Mo.).

^{23a} Many cooperative oil associations have found they can render a real service to their members in handling many items in addition to petroleum products, such as tires, tubes, batteries, and auto accessories. Some handle other lines, such as paint, binder twine, insecticides, and in some cases feed and fertilizer. Usually, considerable savings can be made on these items and they can be handled by the cooperative with a small investment and little overhead expense. Most of these commodities can be purchased through regional cooperative wholesalers.

station to be purchased or constructed and the cost of ground for the service station must also be considered in this connection.

Cost of bulk-station equipment.—In most cases gasoline and oil associations start with the handling of two grades of gasoline, kerosene, and one grade of distillate. In some areas of the country it is also essential to handle tractor fuel. If four commodities are to be handled the purchase of four storage tanks will be necessary. The size of the storage tanks will depend on the potential number of gallons to be handled. It is recommended that tanks larger than those immediately needed should be purchased. The minimum size of storage tanks should be 10,000 gallons.

Below is listed the equipment needed to operate a bulk plant. The prices given are f. o. b. factory prices prevailing in the Middle West. They will, however, vary from place to place and are given only to furnish an idea of the approximate cost—in short, as an indication of the probable investment required for the business.

Cost of items for operation of petroleum bulk-station¹

Quantity	Description	Unit price	Total price
<i>Station equipment</i>			
2	10- by 17-foot (10,000-gallon) vertical storage tanks with ¼-inch bottom ½-inch shell and 12-gauge cover	\$738.40	\$1,576.80
2	11- by 17-foot (12,085-gallon) vertical storage tanks with ¼-inch bottom	832.00	1,664.00
1	90 gallons per minute ½-inch shell and 12-gauge cover twin bulk plant pump with 3 horsepower 3-phase explosion-proof motor	372.50	372.50
1	Underwriter's class 1-D, N. E. M. A. type, 7 manual switch	40.00	40.00
1	Double tank car unloading rack	90.00	90.00
1	Twin pump manifold connection	75.00	75.00
2	Truck tank loader arms	40.00	80.00
2	2-line manifold connections	21.50	43.00
4	Storage-tank connections	13.50	54.00
2	2-inch line strainers	11.50	23.00
4	2-inch pressure vents (8-ounce pressure, 1-ounce vacuum)	20.45	81.80
4	6-inch bulk storage emergency vents	23.55	94.20
4	2- by 2 ½-inch bulk-storage emergency valves	13.75	55.00
4	1-inch frost-proof drain valves	5.20	20.80
200 feet	2-inch standard black pipe T. & C.	30.30	60.60
1	8- by 10-foot corrugated galvanized iron pumphouse	260.00	260.00
	Total	\$2,587.65	\$4,590.70
<i>Truck tanks</i>			
1	850-gallon truck tank with the following specifications: Five compartments Double bulkheads Liquid-tight streamline flashing open can racks Enclosed horizontal barrel carriers with package shelf Trim skirting Large rear bucket box Lights and reflectors Painted and lettered	\$1,460.40	\$1,460.40
1	Complete power-take-off pumping system installed including— Power-take-off 50-gallons per minute truck-tank pump Meter Hose reel 50 feet of 1-inch gasoline hose Nozzle Jumper hose Line strainer Adaptors Coupler	582.81	582.81

¹ Prices given are as of December 1, 1950.

In addition to the cost of equipment above, capital is necessary for inventory purposes. A co-op would probably want to start with about

8,000 gallons in each tank and would probably stock two grades of gasoline, kerosene, distillate and in some cases tractor fuel, depending on the location in the United States. At present-day prices about \$4,000 should be allowed for inventory. This would include Federal tax but no State tax.

Cost of service-station equipment.—Service-station equipment will also vary according to the type of building, anticipated volume, etc. The following will equip a rather modest-sized, two-pump service station. The prices are f. o. b. factory prices in the Middle West. The items listed below are only the large items. In addition many small items will be needed, such as air hose, water hose, battery charger, tool racks, etc.

Cost of items for operation of gasoline service station ¹

Quantity	Description	Unit price	Total price
2	Computing-type gasoline pumps	\$359.55	\$719.10
2	550-gallon underground storage tanks	56.25	112.50
2	Sets of fittings for above	11.00	22.00
6	30-gallon lubricating-oil dispensers	37.75	226.50
1	Two-stage horizontal-type compressors with 1½ horsepower 3-phase motor	338.00	338.00
1	Two-post (10,000 pound capacity), flush-type auto hoist	750.00	750.00
1	Air-operated portable chassis-lubricating unit	152.00	152.00
1	Manually operated portable gear dispenser	40.15	40.15
1	Portable oil drain	34.80	34.80
	Total	\$1,779.50	\$2,395.05

¹ Prices given are as of December 1, 1950.

Operating Expenses of a Store Association

The ratio of operating expenses to net sales will vary according to locality, operating efficiency, and volume of business. The best way to reduce the ratio of overhead expense is to increase the business, for as that grows the percentage of expenses should automatically fall. A greater return on labor expenditure will also accrue as the volume of business increases. A minimum staff is necessary to operate a grocery and meat store, however small, but the business can be expanded considerably before it will be necessary to increase the number of employees. A higher volume of sales per employee is also obtained by education of clerks and members, self-service by patrons, economical arrangement of goods, good lay-out of the store, elimination of delivery and credit service, etc.

The accompanying table shows actual and recommended expense ratios. The first section gives the actual operating experience of 91 farm and nonfarm cooperatives in 1949. The nonfarm associations were mostly stores handling meats and groceries; the farm associations also carried various items of general merchandise. The second section shows ratios regarded as advisable by the regional wholesales in various parts of the United States.

Groups contemplating the organization of a cooperative store should study the table, consider what their expenses for labor, rent, and other

items will be for the size of business they can finance, and endeavor to bring the total within the figures shown in the table. Too high a gross margin will mean that the association cannot keep its prices competitive; too low a margin will wipe out operating earnings.

Gross margin, operating expenses, and net operating income of cooperative stores

Item	Actual experience ¹ of—		Recommended as desirable by regional wholesales				
			North Central States		South Central States		Far West
	62 non-farm associations	29 farm associations	City store, \$2,000 per week	Country store, \$1,500 per week	City store, \$2,000 per week		City store, \$2,550 per week
					Average practice	Recommended as goal ²	
Percent of net sales							
Gross margin	17.2	16.3	16.0	15.0	15.0	15.0	18.0-19.0
Operating expenses:							
Wages and salaries	10.1	9.2	9.0	8.0	8.0-9.0	6.0-7.0	9.0-11.0
Other expenses (rent, utilities, maintenance, repairs, wrappings, interest, insurance, taxes, etc.)	5.8	5.5	5.6	5.0	5.0-6.0	4.0	4.0-6.0
Total expenses	15.9	14.7	14.6	13.0	13.0-15.0	10.0-11.0	13.0-17.0
Net operating income	1.3	1.6	1.4	2.0	0.0-2.0	4.0-5.0	2.0-5.0

¹ Associations for which detailed financial reports for 1949 were available to the U. S. Bureau of Labor Statistics.

² The wholesale emphasizes that only by increasing volume can the figures be reduced to the levels shown. The association should also strive for as many as 18-24 stock turns per year.

If delivery is undertaken, its cost must be figured additionally, ranging from 6 to 8 percent of the business done. Granting credit to customers may increase the expenses another 2 or 3 percent.²⁹

Business Location and Premises

The location of the store or other place of business should be given careful consideration. Generally it should be placed within easy reach of the majority of the members, otherwise the members will go elsewhere after their first cooperative enthusiasm has waned. It is not wise to place the new cooperative in a high-priced location with the purpose of catching transient trade and thus building up a large volume of sales with nonmembers. The cooperative is first of all a membership organization, and nonmembers should be sought only with the idea of making them members.

As a rule the new cooperative association should not at first buy or erect a building. It should rent its quarters and thus be in a position to

²⁹ A study made by the Farm Credit Administration showed that extension of credit cost the cooperative associations \$2 for every \$100 of sales; on the basis of credit sales only the cost was \$3.80.

move if the location does not prove desirable. Sometimes a substantial saving may be effected by the purchase of modern second-hand equipment,³⁰ but care should be taken to have such equipment inspected and approved beforehand by a competent, disinterested person. Purchase of the business of an established grocer is usually not advisable, as such a business will have a reputation for being a profit-making enterprise and this reputation may carry over. However, if this *is* done, the grocer's liabilities should be investigated to insure that the association is not assuming unknown debts.

If the enterprise carried on is a cooperative store, it should be remembered that the interior arrangement is as important as the site. A clean, attractive store is possible with only moderate expenditure. Advance consideration should be given to such matters as self-service, store layout, types of shelving, and modern counter arrangements. Sources of advice and assistance are the various cooperative wholesales and the pamphlet "Principles of Store Arrangement" (issued by the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce).

One manager believes that only the exceptional small store has a chance for success in eastern cities. It should carry the "co-op label" goods as well as a certain amount of nationally advertised products, but small, cramped quarters do not offer sufficient space to accommodate such a variety. The small space also puts an effective ceiling on the volume of business that can be done there; and unless the store can attain a substantial volume it cannot compete on prices. A good-sized store is desirable therefore, that can be laid out in an efficient manner, providing space for the flow of customer traffic as well as for display. Various estimates place the optimum at from 6,000 to 9,000 feet of store space, with an additional outside area for parking of 3 to 3½ times the inside floor space.

Employees of the Cooperative Store Manager

The ideal store manager is one who combines knowledge of cooperation with technical skill in storekeeping, in the buying and selling of goods, and in the keeping of store records and accounts. If an experienced groceryman trained in profit business is hired, he should be under the close supervision of an alert, well-informed board of directors with a cooperative background. On the other hand, the idealistic but untrained cooperator may make serious, even fatal, business mistakes before he acquires the requisite technical knowledge. The combination

³⁰ One danger in buying used equipment is that if it is not up to date it may have a noticeably unfavorable effect upon the appearance and operating efficiency of the store and consequently upon its success.

of cooperative understanding with administrative ability is rare but it is being developed among many of the younger people working in cooperative stores and studying in the cooperative training schools.

The manager should be able to delegate responsibility to those under him so that he does not carry the entire load of duties on his own shoulders. It is essential that he have financial and business judgment and tact, and that he be able to win and hold the respect of patrons, employees, and business houses with which he deals.

The wise manager will not employ any member of his own family²¹ nor let himself be influenced to employ a favorite of any of the directors. Neither he nor any employee should be a relative of any member of the board of directors.²¹

Duties of manager.—In the small store the manager has to be a jack-of-all-trades; he must know something of buying, selling, banking, investing, credit, supervising the work of others, bookkeeping, driving a truck, etc. In the larger cooperatives he can delegate most of these to others. He is responsible for buying the merchandise, deciding the mark-up, and hiring and firing the employees. He must exact discipline and at the same time inculcate cooperative enthusiasm in his employees, watch carefully the many places where leaks and losses to the business occur, deal tactfully with complaints from all directions, and understand the value of publicity and advertising whether in store windows, local press, radio, or other mediums.

He should render regular reports to the directors.¹⁹ He should hold regular meetings with the employees for discussion of both business problems and cooperative principles. He should cultivate good relations with the membership and the general public, and give the utmost possible support to the educational activities and to the cooperative wholesale of his district.

The manager should not become obligated to or accept gifts from the salesmen of any private wholesale house.

Other Employees

Clerks and deliverymen are the most important individuals in the store, from the point of view of contact with the membership and the general public. The spirit of the cooperative store will be interpreted by the purchasers in accordance with their opinion of these employees; they will judge of its efficiency almost entirely in terms of their efficiency. These workers should be made partners in the educational program. No store is truly cooperative until its clerks learn to think of themselves not as salesmen trying to dispose of goods to the public but as partners of the public in the common effort to obtain quality goods at fair prices and to

²¹ Such practice is forbidden by many cooperatives.

¹⁹ For suggestions as to frequency and content of such reports, see appendix H (p. 84).

build a united cooperative movement. It is important that they learn to conduct themselves not as sellers, but as buyers for the members. Generally, also, the workers are members as well as employees of the association.

Wages

An association should not attempt to make earnings at the expense of its employees. At the beginning of the association's existence, it may be necessary for both members and employees to make some sacrifices in order to get the organization on its feet. Once that is done, the association should provide good wages and working conditions. Managers' salaries should not be below the standard set by profit business. A good manager deserves good pay and a poor one should not be employed at all. Other employees should receive wages at least equal to the current union scale for similar work. If there is no union in the neighborhood, wages should, whenever possible, be slightly higher than those of employees of the profit business firms for the same kind of work. The payment of straight wages without any bonus or commission on sales is recommended.³²

Affiliation with the labor union should be encouraged, provided the union is a bona fide one and not unfriendly to the cooperative.

Business Methods and Policies

Cash or Credit?

All business of the society, both buying and distributing, should be strictly for cash. This cannot be emphasized too strongly, for credit selling and credit buying have been among the most frequent causes of cooperative failure in America.

The following are some of the reasons most often advanced for permitting credit to customers:

Competitors grant credit; we must do the same, competition compels it.

Our people are accustomed to credit, we must meet the demand; it is their store.

Unemployment or other hard times force us to give credit; many members have no money, and the cooperative cannot turn them away.

This store has always given credit; it is impossible to change the habit now.

On the other hand, the following arguments may be advanced in opposition to credit trading:

The extra expenses involved require charging higher prices for goods.

More capital is required by stores giving credit. The purpose of the cooperative store is not to supply credit but to supply goods or services. Credit is a banking function for which it is not equipped.

Credit in large amounts quickly dissipates the capital of the society, for a considerable proportion of the accounts will not be collected and ultimately must be

³² But some State laws require the distribution of part of the surplus savings as bonuses on wages to employees.

written off as bad debts. The member who takes away goods without leaving money to replace them damages the supply to just that degree.

Credit to customers usually means that bills of wholesalers cannot be paid promptly, the store cannot take its discounts for cash, and the members must pay higher prices for goods.

Credit encourages extravagance on the part of weak-willed patrons.

The credit system is undemocratic. If credit is given to one member of a cooperative it should, in fairness, be given to all, and to the same amount. Yet this is impossible, for it would bankrupt the store. Thus credit involves extending to some members favors that others do not receive.

Credit puts the debtor in bondage to his society. Many workers have lived most of their lives in such bondage; the cooperative should help to free them, not add to their burdens.

For many years it was supposed that the giving of credit could not be eliminated. Now we know that this was a mistake. Many associations have proved that dealing for cash only is not only possible but advantageous.

There are several methods of eliminating credit trading from the cooperative. Obviously, the directors cannot merely issue an edict and expect the members to accept it meekly. The latter should be educated to see the dangers of credit business and they will then, in membership meeting, vote to end it. As an alternative for those who still need credit, a credit union or small savings and loan association may be organized and needy members may borrow from it. All members may learn to deposit special loan capital with the society during good times and draw against this when times are bad.

In order to avoid credit trading in connection with delivery, members should be required to deposit sums approximately equal to the week's needs in advance; or they may arrange to have the money ready when delivery is made. Under no circumstances should credit be extended to any member of the board of directors. In fact, this should be expressly forbidden in the bylaws.

Reliance of the association upon credit from wholesale supply houses after the association is once under way, is equally bad. It means loss of the special discounts offered by the latter for prompt payment of bills, and such discounts mount up in the course of the year to many hundreds and sometimes thousands of dollars. It necessitates charging correspondingly higher prices to patrons. It is better to borrow extra loan capital from members and pay interest on it than to lose discounts from wholesalers and also lose the confidence which the latter should have in the business integrity of the cooperative.

Price Policy

A fundamental principle of cooperation is that goods should not be retailed at cost or even at cost-plus.³³ Nor should temporary under-

³³ This term is used to designate the practice of a mark-up only sufficient to cover the cost price to the association plus a percentage estimated as representing the cost of handling, overhead, etc.

pricing of neighboring stores be advocated, except possibly to meet unusual conditions. Cooperative stores that fall into this error do not succeed in the end.

Sale at cost is inadvisable for the following reasons: (1) Actual costs cannot be accurately estimated in advance and such a policy therefore increases the danger of an operating loss; (2) sale at cost also increases the hostility of the private merchants; (3) it deprives the association of surplus; (4) it makes savings returns impossible; (5) it prevents the accumulation of a reserve fund for development and expansion; and (6) there will be no money for social, recreational, and educational work.

Delivery Service

Not only is delivery service expensive, but frequently it is unnecessary and is maintained only through force of habit of members and manager.

It is strongly urged that everything possible be done to reduce to a minimum the delivery of goods to members' homes, but, of course, not to the point of driving patronage away from the store. If delivery is encouraged and passively permitted, even those members who otherwise would carry their groceries will begin to demand delivery and soon most of the sales will be handled in this expensive manner.

A small charge made for delivery (or for delivery on orders below a specified amount) may help to eliminate unnecessary service of this kind. However, an organization expecting to cover a considerable area and with its members scattered throughout this area must consider the fact that some of the distant members often go to considerable inconvenience to patronize the store. Provision of parking space alongside of or adjacent to the store will encourage such members to do their own shopping.

Delivery routes should be carefully zoned so that there is no duplication of roads covered and so that all patrons may be served at approximately equal intervals of time. In the case of an association with a widely scattered membership, a schedule of delivery days for the various sections can be worked out. Members should be trained to adhere to the schedule established and not ask for special trips for articles forgotten or neglected.

The employee making deliveries should not only be efficient in handling his truck, caring for his merchandise, and keeping records of orders and routes; he should also be a genuine cooperator. The latter qualification is often more essential in the deliveryman than in the store clerk, for he is frequently the only person from the association whom some of the members and customers see, and their opinion of the entire cooperative will often depend upon the contact they have with him.

Fidelity Bonds or Security Guaranties

All persons handling the funds of the association should be bonded, at the expense of the cooperative, to the full amount of money or property handled. A security company bond is preferable to a personal bond.

Buying of Merchandise and Sources of Supply

Details of buying merchandise cannot be discussed here. It should, however, be a fundamental rule of every cooperative association that its manager shall give all possible support to the nearest cooperative wholesale association, and the directors should require a regular report from the manager on this point.

If there is no such wholesale association in the territory, several cooperative stores should combine their purchases and gradually lay the foundation for such a wholesale.

It has been reported that wholesale houses sometimes discriminate against cooperatives by higher prices or inferior service. The blame for this cannot always be placed upon those firms themselves; they may have had poor treatment from cooperatives or may have had difficulty in collecting accounts due. Cooperatives should strive for good credit rating and for sound business relationships with the local banks, and should in other ways demonstrate that the cooperatives are efficient and trustworthy. Once such a reputation is established, cooperative managers will complain less of discrimination.

Meeting Competition

Like profit businesses, the cooperative must meet competition, and this question should be given thought from the beginning and in the preliminary survey made before the store is opened.

The chain stores have generally been looked upon as the most severe competitors, but they present a problem which can be met if the association has the will and ability to do so, and especially if it is combining its purchasing power with that of other cooperatives through the cooperative wholesale. Cooperative directors and managers have acquired the habit of fearing the chain stores and trying to imitate them, instead of stepping out boldly to make the cooperative society something distinctly different from and better than these stores. One way to do this is through emphasis upon quality rather than price, or upon quality in relation to price.

The store belonging to the customers should be as modern, efficient, attractive, and well-equipped as any in the community. It has unique assets that no other corporation can boast. It should capitalize these, and not try to emulate the wealthy chain-store corporation. The cooperative can specialize in quality and guaranteed values. The store

affiliated with a recognized regional cooperative wholesale has the advantage of access to "co-op label" goods, the trade-mark of which is the property of the cooperative movement. Goods put up under the "co-op label" usually provide a more full and accurate description of the ingredients than is required by law. The store can thus assure its patrons not only as regards quality but also as regards honesty of weights and measures, packaging, size of containers, etc. It can build up within its membership a sense of direct ownership, loyalty to the people's store, and pride in creating a business institution unlike anything else in the community. It can specialize also in social and fraternal activities to strengthen the bond which unites the members—entertainments, lecture courses, forums, and other enjoyable and profitable functions. It can cut some of the expenses of operation that every chain store must have. Unless trade-union rules prohibit, the small store can also call upon its members for volunteer help in various directions.

The cooperative must learn to make use of its unique opportunities and assets. Its benefits to members go beyond money savings or quality values; in addition to these, certain spiritual satisfaction often results. Its opposition often consists not so much in the other stores as in the lack of imagination among its own leaders and lack of loyalty among its own members.

Accounting Practices

Bookkeeping

Even cooperatives of modest size find it advisable to employ a bookkeeper. The practice of putting the responsibility for bookkeeping entirely in the hands of the manager, secretary, or treasurer, even though it is sometimes advocated, is not a wise one.

The books and records are of such importance that an expert should be put in charge of them at the earliest possible time. Bookkeeping is for keeping records of the past; even more important, it is a picture of the present and a chart of the future.

The accounting system should record all cash and credit transactions, and protect the association from fraud on the part of employees or outsiders and from mistakes of judgment on the part of the manager. It should be serviceable and economical to handle. It should give complete information for each department of the store (meat, grocery, dry goods, etc.), so that the directors may know which departments are profitable and which are unprofitable. It should also furnish data on the various aspects (costs of delivery, credit, ³⁴ etc.), of the store's service.

If there is no good bookkeeper available, the association should select

³⁴ But the dangers of extension of credit to patrons cannot be emphasized too strongly, and all cooperative leaders urge that credit be eliminated entirely.

an intelligent and cooperative man or woman and see that he or she is given the proper training, either by attending cooperative training courses, by subscribing for correspondence courses, or by getting direct personal instruction from the nearest cooperative accountant.

Audit

The regular cooperative accountant,³⁵ or a public accountant if the former is not available, should be engaged to audit the accounts of the association annually, semiannually, or even oftener. The basic information in his report should be printed and given to each member.

More associations are adopting the practice of having frequent audits not only of the books and records but of the membership and store as well. In such cases a regular check is made of the number of members (both of men and of women), their holdings in shares, their loans to the association, their purchases, the length of time they have been members, their occupations, etc. The store audit gives a check-up of the store by an outside expert, to establish its cleanliness, its neatness of appearance, the economical lay-out of its fixtures, counters, and shelves, the reduction of hazards from fire or freezing or exposure to heat and damp, etc.

A competent auditor, even though his official work is only that of auditing the books, will not neglect these other matters but will look into them at least superficially and then meet with the directors and discuss with them the various problems that he feels are of importance. He will be a business adviser to the association as well as its auditor. His examination will reveal the degree of efficiency of the business and his report will give suggestions for improvement, and comparisons and analysis of methods and their results.

Inventory and Depreciation

Inventory should be taken at regular intervals by an inventory committee and the manager. If the business is running smoothly, once every 3 months is often enough to take inventory; otherwise a monthly check is desirable. Inventory should be figured at cost or market price, whichever is lower.³⁶ Overvaluation of stock should be avoided.

³⁵ The following cooperatives provide auditing service, and assistance in this matter may be obtained from them:

Iowa.—Business Service Association, 400 Farm Bureau Building, Des Moines 9.

Minnesota.—Cooperative Auditing Service, 2101 Kennedy St. NE., Minneapolis 13; and Farmers Union Accounting Services, Inc., 1200 N. Concord St., St. Paul.

Missouri.—Consumers Cooperative Association, 310 E. 10th St., Kansas City 13.

Nebraska.—Auditing Service for Cooperatives, 3860 Leavenworth St., Omaha 5.

Ohio.—Farm Bureau Cooperative Association, 245 N. High St., Columbus 16.

South Dakota.—Equity Audit Co., 601 Citizens Building, Aberdeen.

Washington.—Grange Cooperative Wholesale, 1104 Mercer St., Seattle.

³⁶ For directions as to the proper methods of inventory, see *A Primer of Bookkeeping for Cooperatives*, by Werner E. Regli (Chicago, Cooperative League).

Depreciation should be allowed for—on fixtures at about 10 percent per year; on trucks at about 25 percent. In filing income-tax returns, some adjustment may have to be made to conform to Federal regulations.

Record of Patronage

The practice of returning savings in proportion to patronage necessitates the introduction of some system whereby the association may determine at the close of the patronage-refund period the trade done by each member, in order to apportion to him his savings.

Most associations require that the patron shall keep records of his patronage. He saves his cash-register slips or other evidences of purchase until the end of the accounting period and then turns them in at the store for his refunds.

Some associations themselves keep records of patronage by their members. One method is the use of a duplicate- or triplicate-book system or a billing machine.

Net Savings and Their Disposal

In the private store the margin between the cost of the goods (plus expenses) and the price at which they are sold goes to the tradesman or investors, as profit.

The cooperative store appears at first glance to operate like any other business. Actually there are wide points of difference. The members have pooled their resources to buy at better advantage than each could buy alone. Having bought their goods and put them in their store, they own the goods. Thus, the members do not buy from their store, nor does the store sell them goods. It buys for them and distributes to them. When the member takes goods away from the store, he leaves enough money to replace what he has taken and also the difference between the cost and retail price. It is from the latter margin that, after the cost of operation is deducted, the member receives his savings return.

This collective surplus or saving is the essence of cooperative business. The use of this surplus marks the chief difference between the cooperative and the profit systems of business.

General Surplus Reserve

The net worth of cooperatives consists of (1) share capital owned individually by the members, and (2) the general and special reserves owned collectively by the members. The reserves are funds set aside from earnings to insure the safety of the business and provide for further expansion. A great many State laws require that cooperatives shall establish such a reserve. Usually from 5 to 25 percent of the year's

net savings must be added to the fund until the latter amounts to from 20 to 50 percent of the paid-in capital. Many associations prefer to exceed the minimum, however, and may accumulate a reserve considerably in excess of their share capital. Members should be encouraged to be generous to their reserve and the future security of their association and not divide among themselves, at the end of the year all of the savings made. But the cash reserve should not be permitted to become so large as to constitute a temptation to the profit seekers who may be found in the membership, and sometimes in the management, and who (unless the contingency is provided for in the bylaws) may urge dissolution, or a course that will bring the enterprise to an end, in order to divide the reserve.³⁷

As mentioned above, the general reserve is the indivisible property of the association and is created to safeguard the business and furnish additional capital. In case a cooperative shows an operating loss, this loss must be charged against this reserve. It is, therefore, important to build a reserve in good times as a stabilizer to take care of operating difficulties. Until the entire general reserve will have been dissipated through operating losses, the share capital still remains at par. Once the balance sheet reveals a deficit, the deficit should be deducted from the share capital, showing that the stock is no longer worth its par value. In such case, no patronage refunds can be made, as these should always come out of net earnings.

Educational Funds

Provision should also be made for educational work, by allocation from net savings to a special fund³⁸ or by payment out of the current expense fund. The important thing is that such work be done and adequately financed.

Savings Returns or Refunds on Purchases

After the return on capital, the addition to the permanent reserve, and the educational funds have been deducted, the remainder of the net savings may be paid to the members and to nonmember patrons as savings returns or refunds ("dividends on purchases"), according to the Rochdale method. They are based on the amount of patronage (not on the amount invested in share capital, as in profit-making business). They are usually paid semiannually or annually; the latter is usually preferable because the longer period tends to equalize seasonal fluctuations in patronage and consequently in earnings (see also footnote

³⁷ It should be pointed out, also, that reserves of consumers' cooperatives, not specifically allocated to the credit of individual members, are subject to Federal income tax.

³⁸ Some laws require regular additions to a special fund for this purpose, but Federal income tax must be paid on educational reserves set aside from net savings, into such a fund.

3, p. 65). There is, however, the possibility that the longer interval may lead to a loss in membership interest.

The amount to be returned on patronage may be paid back in (1) cash, (2) in credit toward patronage at the store, (3) in credit toward the purchase of additional shares, or (4) as loan-capital certificates. The first and second methods are usual if the association already has sufficient capital for current needs, and methods 3 and 4 if more capital is needed. A common procedure is to pay nonmembers in credits toward shares, and to notify members that their return is available in cash on request but, in the absence of such request, will be credited toward additional shares. The decision as to how the distribution of earnings is to be made should be that of the membership, unless the law specifies otherwise or the financial stability of the organization prevents; usually, the directors should only make recommendations. The bylaws should specify that the association has a lien on the patronage refunds of members for any amounts owing to the cooperative, so that such refunds may be withheld in such case. Earnings on sales to nonmembers should not be paid to members but, if they are not to be returned to the nonmembers themselves, should be placed in the educational fund.

Mention should be made of the "revolving fund" or "rotating capital" systems, used especially by rural cooperatives. These systems involve the principle of deferring the date for cash distribution of savings returns. The simplest form is the retention in the association of the savings returns for a fixed or indefinite period of years; certificates of indebtedness are issued to the member-patrons, being redeemed at par, in cash, at the end of the period or when sufficient capital has been accumulated. A variation is to have the savings returns paid partly in cash, and partly in new shares, the proportions having been fixed at the annual meeting. Any surplus funds are used to retire old shares in the order of their serial number or date of issue. The plan is designed (a) to weed out members who are no longer active patrons, and (b) to have a member's investment status keep pace with his patronage status.

There are at least three methods of treating nonmember purchasers: (1) No returns to such patrons until they have purchased at least a small amount of stock; (2) refunds at the same rate as to members; and (3) refunds at half the rate at which members are paid. The second method is to be preferred from the point of view of safeguarding the nonprofit character of the cooperative. Under genuinely cooperative practice the only alternative to returning patronage refunds is to add the earnings from nonmember patronage to the educational or reserve accounts. It should be noted that if nonmember patrons are paid no savings returns or are paid at only half the rate for member patrons, then it can be said that the members are "profiting," to some extent at least, at the expense of the nonmembers. This factor has been stressed in the past

by courts when considering whether a particular cooperative was eligible for tax exemption. Accordingly, it has become increasingly common among cooperatives to grant refunds to nonmembers at the same rate as to members, the refunds being made in the form of credits toward the amount of capital necessary for membership. Several of the State laws have definite provisions on this point which must be met.

Other Uses for Net Savings

There are some associations which either distribute no savings returns to members or distribute only a very small proportion of the actual funds available. These cooperatives believe in what is popularly known as the "Belgian plan," which is the use of savings for the social benefit of the entire membership and even of the whole community. With these savings there may be established insurance funds, vacation homes for the women and children, medical or dental clinics for the members, community halls, libraries, art centers, the free distribution of papers or other literature, the employment of special lecturers, or free scholarships in cooperative schools. The number of such benefits is limited only by the amount of funds available. The public-relations value of such a procedure is obvious. The objections are that it provides no economies of purchase to the individual member and that those who enjoy most of the benefits may not be the members whose patronage has created the funds.

Committees

Several special committees are necessary to every efficient cooperative society—committees on education, membership nominations, auditing and inventory, finance, business or management, complaints, relations with other cooperatives, problems of quality and grading of goods, etc. Some of these committees may be combined; others may have several subcommittees for specialized work.

It is customary to have the directors appoint committees whose work is with the business of the store, and to elect from the membership those which are to devote themselves to the broader questions of the membership at large or to check the work of the directors. Thus the membership meetings may elect the membership and audit committees, while the board may appoint or elect from among its own membership or the membership at large the other committees enumerated above.

Committee on education.—The success of the committee on education depends upon efficiency and loyalty. Loyalty depends on members who understand cooperation. Thus the duty of this committee is the education of the members. It is important that the membership of this committee be appointed on the basis of qualifications for the specific

duties to be performed. One member may be chosen to handle publicity, another study groups, another visual educational methods, another commodity promotion, etc. Selected because of their interest and ability along special lines, the members of this committee will function much better than if chosen indiscriminately and given no specific duties. The whole educational committee should strive to keep the society in close association with the organized cooperative movement, in the State, the Nation, and the world.

The committee may be large and divided into subcommittees:

The membership subcommittee should bring in new members and hold and educate the old members. It should work among nonpurchasing members who have grievances against the store; among patrons who have not yet become members; among fraternal, religious, labor, or farmer groups from which new members may be recruited. Newspapers, the movies, the radio, and the lecture platform are all good mediums for this work. Effective results are also obtainable from study groups. The new members drawn into these groups will enlarge their understanding of cooperation.

The program and entertainment subcommittee should arrange the program for the members' meetings, provide for debates, entertainments, speakers, picnics, suppers, and other social affairs, as well as conduct more serious study courses for members and employees.³⁹

The junior committee should develop interest and loyalty among children and young people. Literature and books suitable for them should be read aloud and discussed. Outings, entertainments, and other young people's parties and educational meetings should be arranged. Athletic teams, dramatic groups, and musical organizations should be fostered.

The women's subcommittee or women's guild has the dual responsibility of stimulating greater loyalty to the store on the part of its present members and of interesting other women throughout the community. Since it is the wives and mothers who spend most of the family funds, their earnest support and understanding of the cooperative are essential. This committee can also be of great service in constructive criticism leading to improvement in quality of goods, physical condition of the store, labor policies, etc. It may also be a real force in community betterment.

The library and literature subcommittee should keep on hand in a satisfactory place, in the store or close to it, cooperative periodicals, pamphlets, and books for distribution. This committee should conduct a library and reading room. It should work to the end that every member shall subscribe to or regularly receive a magazine or current periodical.

³⁹ A pamphlet on "Cooperative Education" may be obtained from the Literature and Film Department of The Cooperative League, 525 W. 76th St., Chicago. Ill.

cal devoted to the news and ideals of the cooperative movement. The issuance of a store bulletin or news letter is a useful function of this subcommittee. It may also work with public libraries to increase the supply of cooperative literature available to the public.

Committee on grades and quality of goods.—This may be a separate committee or a subcommittee of the committee on education. If the former, it should work closely in connection with the educational group. Its function is to stimulate interest in laboratory testing of commodities and in the reports of consumer information agencies, to study the goods handled by the association with a view to improving their quality, and to work for informative labeling of goods. It may prepare, for membership meetings, etc., special features or displays demonstrating the quality of goods sold by the association. This committee may also inquire as to the conditions under which the commodities carried by the cooperative are produced.

Committee on audit and inventory.—The committee on audit and inventory should be elected by the membership. One of the duties of this committee is to check on the taking and pricing of inventory, to insure conservative pricing, and to prevent "padding" of figures. As soon as possible, also, the committee should see that the association makes use regularly of a certified public accountant, preferably a cooperative accountant if one is available. Such outside audits by a public accountant should be quarterly for the first year or two; later they may be at intervals of 6 or 12 months.

Business management committee.—The business management committee is usually elected from and by the directors, if the board is a large one. This is the committee which assists the manager in carrying out the general policies set by the entire board of directors. It may consist of the two or three directors most conversant with business problems. It should meet with the manager at frequent stated intervals for the consideration of the various problems of finance, merchandising, insurance, employment of help, relations with wholesale houses, enlargement of the business premises, etc.

In the association which has a small board of directors, meeting frequently, the entire board may act as such special committee.

Educational Work

The first essential of educational work in the cooperative association is frankness, open records, and no secrets regarding the conduct of the business or the activities of officers and committees. If the members do not have confidence in their leaders, no educational work can be effective. One of the best ways by which the membership can be kept informed is through a news letter issued by the association.

The second principle underlying educational work is that such work

be connected closely with the business of the store itself, and not treated as something divorced from the association's economic life and the special prerogative of the educational committee. In order to be effective, it is important that the handling of merchandise, the creating of a cooperative atmosphere, and the dissemination of cooperative ideas all go along together.

The third essential is that each local association keep frequently and closely in touch with the nearest educational center of the cooperative movement, seek its ideas and advice, send to it information on the local work, and participate actively in cooperative conferences, conventions, and joint activities among cooperatives.⁴⁰

Educational work may be divided into three fields—that done among the employees, that done among the members, and that done for the community at large.

1. Education of employees is of two kinds—technical education to make them more efficient workers, and general education in cooperation. The importance of educating the employees is indicated by the fact that one statistical bureau found that of the people who stopped trading at a given store, 33 percent left because of inefficiency of employees and another 30 percent because of poor facilities for service. A substantial percentage of cooperative failures is due indirectly to lack of cooperative understanding among the workers.

Opportunities for both kinds of education exist within the cooperative movement. Special training schools and summer institutes are organized by the Cooperative League and by most of the regional wholesales. The courses of study are designed both for the technical training of employees and directors and for instruction in the general principles of cooperation.⁴¹

2. Educational work for the membership may be carried on both inside and outside the store. The best work from within is that done by the employees themselves through the spoken word, the cooperative approach to customers, or the use of posters, bulletins, etc. Goods packed by cooperative wholesales under special cooperative labels have value in conveying the cooperative idea.

The work outside the store may be direct and intensive, as in study classes, distribution of cooperative literature, lectures, and attendance at cooperative schools and institutes. It may deal with general consumer activities such as improved regulation of weights and measures, quality of goods, increased use of Government-graded meats and canned

⁴⁰ Such centers are the educational departments of the cooperative wholesales, listed on p. 88, and the national Cooperative League. There are also many local leagues and councils whose activities cover a city, county, or district. The names and addresses of these local leagues can generally be obtained from the regional wholesale associations.

⁴¹ Information on courses being given at any time may be obtained from the Cooperative League of the USA, 343 S. Dearborn St., Chicago 4, Ill.

goods, more adequate food and drug regulation, etc. It may be general and combined with social and recreational affairs. Finally, it may accompany some of the direct work of the cooperative association in its nonmerchandising activities. Thousands are better cooperators because of the summer camp which the cooperative association runs, the library it organizes, the assistance it gives to the unemployed or to strikers, or the lunchroom it operates for the members.

The small informal cooperative-discussion group, meeting regularly in rotation in the homes of the members for study of cooperative problems is a most successful method of membership education. These groups are variously styled "cooperative clubs," "advisory councils," "neighborhood clubs," "neighborhood councils," or "fireside forums." Some cooperative wholesales supply materials for these home cooperative-discussion groups.

3. Work for the community of nonmembers may take the form of general publicity or advertising. Publicity is designed to acquaint the public with the idea behind the cooperative and to arouse interest in its general work; advertising is to focus attention upon particular commodities. The cooperative movement should make more use of the former. Cases of goods donated for use of the unemployed, special assistance to the local hospital or orphans' home, meetings planned in the neighborhood church or lodge room—all may be made effective in spreading interest in the cooperative. The special membership drive, usually put on during a designated cooperative week or cooperative month, has proved to be a valuable means of reaching a new public.

Both the women's guild and the young people's league should be encouraged to take responsibility for educational work among members and nonmembers. They often have more and closer contacts with those who should be reached than have the directors or officers or even the members of the educational committee.

[NOTE: The organization and procedures of buying clubs are given here because such clubs have been one recognized technique toward eventual establishment of a cooperative store. Present-day conditions, however, do not appear to be particularly favorable for them, nor is their formation being encouraged by the cooperative wholesales.]

PART 2.—CONSUMERS' COOPERATIVE BUYING CLUBS¹

Object and Scope

The consumers' cooperative buying club is an initial step in cooperative organization. Its immediate purposes are to study cooperation, to train its members in cooperative methods, to improve the quality of goods purchased by the members, and to build its capital through saving its members' money by the purchase of goods in quantities sufficient to obtain lower or wholesale prices.

There are other objects of equal or even greater importance. Thus, it is entirely within the club's scope to stress the educational and social function, so as to make the club a natural social center.

The club may exist under a number of conditions, each one of which must to some extent alter its form and policy. It may be formed among a group of neighbors, a group of factory workers, among salaried workers in the large business houses of the cities, or among members of religious or fraternal groups. In community-center groups where self-help is taught and practiced, the conditions may favor the growth of cooperative organizations. Whatever the source of membership, since the goal of the buying club should be a cooperative store or other commercial enterprise, it is desirable that its activities be developed in a residential community and not in an industrial center which the participants desert for their homes every evening.

It is essential that the cooperative club be made a democratic association. If every member holds himself ready to contribute service when and where needed, the cooperative club may become an effective agency, and establish the sense of mutuality among the members. It should be stressed, however, that the buying club should never be regarded as an end in itself; it should aim for the eventual establishment, and as early as possible, of a fully developed cooperative business.

Organization

Buying clubs are generally unincorporated organizations.² Each member pays a small initial membership fee (50 cents to \$1), to cover

¹ For general considerations which should govern the formation of any kind of consumers' cooperative organization see Introduction, p. 1.

² But it should be emphasized that in an unincorporated club the members are individually liable (as partners) for any debts it may incur. If the operations become extensive, therefore, incorporation is advisable.

organization expenses and educational work. Many organizations also require a member deposit of \$10, to be used for operating capital which is converted into share capital when the group incorporates and opens a store.

It is wise, in order to give the club a good start, for the persons who are convinced of the feasibility of the plan to try to interest as many others as possible in the subject before an organization meeting is called. The meeting having been duly announced and assembled, its object should be clearly and briefly stated. The chairman should call for a tentative plan of organization as a means of getting the whole matter quickly before the meeting, and a tentative constitution and bylaws should be submitted. A motion is then in order to organize a consumers' cooperative club. If this motion is carried, it may be moved that a paper be circulated through the meeting for the signatures of those who would like to join.

A further motion may follow, to the effect that a small committee (5 or 7 are suggested) be appointed by the chairman to draw up a constitution and bylaws, and that the meeting be then thrown open to a discussion and criticism of the tentative constitution that has just been read to the meeting. Such discussion should be of assistance to the new committee in its work.

Although clubs operate on a simple, informal basis, each should have a constitution and bylaws.³ These should outline a complete and self-perpetuating organization, and should cover the following principles:

1. Membership open to all who can make use of the services of the association, upon approval by the board of directors.
2. One vote and no more, for each member.
3. No voting by proxy.
4. Business for cash and at current prices.
5. Fixed, limited return on capital (i. e., member deposits).
6. Savings (including those made by discounts) distributed in proportion to patronage, after setting aside reserves for use in a future cooperative business.
7. Adequate and responsible supervision by instructed committees.
8. Religious and political neutrality.
9. Continuous work for education and expansion.

Officers and Committees

Officers may be elected either at this meeting or later, when the constitution and bylaws have been adopted and the organization has come into existence. They should consist of a president, treasurer, and secretary-manager to serve for 1 year; or, preferably, a board of directors may be elected, which chooses the officers from its own number. The directors may be selected to serve overlapping terms of 6 months or 1 year, half of them being elected at a time; this practice insures the club

³ For suggested bylaws for a buying club, see appendix C (p. 64).

against having only novices in office. In the selection of officers, care should be taken that not the most popular but the most capable are chosen.

Two standing committees should be elected—an educational committee, and a research or investigation committee whose function is to investigate the quality, price, and conditions of production of the commodities dealt in by the club. In addition an auditing committee should be elected to serve for a definite term; its membership should not include any of the officers of the club. Another important committee is the inventory committee,⁴ though in a small club it might be combined with the auditing committee. If the need arises, a committee of three may be appointed each month from an alphabetical list of names, to assist the manager (buyer) in checking stock orders, and in supervising distribution to the members. Some clubs have a store or business committee which follows operations closely, though sometimes the board of directors retains this function.

The bonding of the persons (treasurer and buyer or manager) through whose hands the money and goods pass is an important guaranty of safety. It should not be neglected out of a mistaken consideration for the feelings of these officials, or because of their recognized personal integrity, or because of mistaken economy. Experience has shown that the bonding precedent should be started at once and never discontinued.⁵

Goods Handled

The main activity of the club is the pooling of the members' orders. This may be done simply by each member's turning over to the buyer at stated intervals (weekly or biweekly) a list of the goods and quantities desired. The buyer then combines the orders and purchases these items to the best advantage. An alternative procedure is for the buyer to "shop" in advance, to circulate among the members a list of goods available, their quality, and their prices, and to confine the orders to these items. The latter system allows the group to concentrate on items on which a considerable saving can be made, but may have the disadvantage of providing for only a small number of needs.

It is a serious technical matter to determine the kinds of goods with which to start a club. Staple articles are best adapted to club purchase. Obviously, most perishables are not suitable for weekly or semi-monthly orders. Canned goods may prove economical, especially if the club is near enough to a cooperative wholesale to be serviced by it. Local conditions and margins will largely determine what the club will

⁴ Directions as to the proper taking of inventory are contained in "Primer of Bookkeeping for Cooperatives," by Werner E. Regli, published by The Cooperative League, 343 S. Dearborn St., Chicago 4, Ill.

⁵ The cost of the bonds should be borne by the association as a regular item of expense.

purchase, but clubs can obtain lists of suggested commodities from the cooperative wholesales that should prove helpful.

Clubs sometimes buy meat successfully. Smoked meat, bacon, ham, some forms of smoked and cured fish, and sausage meat may be tried without special facilities for storage; but fresh meat, of course, must be either cut and distributed without delay or kept under refrigeration.

Lack of space precludes further discussion of the commodities that may be handled. The commodity reports of one of the agencies conducting research on consumers' goods may be useful in this connection, or lists may be obtained from the nearest cooperative wholesale.

When the club is small, cash should accompany the order of each member so that money will be on hand to pay for bulk orders in advance or on delivery. When the club is large, goods may be purchased in anticipation of the demand, as a cooperative store does, but more conservatively. It is a great advantage, of course, to be able to buy in a cheap market without delaying to secure many individual orders, but it should be borne in mind that where this is permitted the members must be ready to share any losses from mistaken judgment on the part of the secretary-manager or the buying committee. It must not be forgotten that a cornerstone of cooperation is cash (i. e., no credit). Persons needing credit can be accommodated through a credit union organized for the purpose, or may make advance deposits against which purchases are charged. If credit is allowed—and this practice should be vigorously discouraged—under no conditions should it be allowed to exceed the amount of the member's investment in the club, either as stock or as loan capital.

Sources of Supply

The cooperative wholesale society is the logical source of supply for cooperative clubs if it is near enough to make this feasible.⁶ Cooperatives are not likely to encounter difficulties in obtaining supplies from private wholesalers, but not all of these will sell at favorable prices. The club should get into contact with local farmers for as many farm products as possible. The development of marketing cooperatives should enable cooperative clubs to reach groups of farmers with their orders, and the club secretary should get in touch with all such groups in the surrounding counties. Facilities are offered by the express companies as direct middlemen between producer and consumer, and these companies issue circulars and price bulletins. Shipping by mail is also possible. A committee should be appointed to help the secretary study the best buying practice for the locality.

⁶ For a directory of cooperative wholesale associations and the goods handled by them, see appendix J (p. 88).

Distribution

Distribution may be effected at the club's regular meeting place or at some other central location, each person taking charge of his own purchases; or delivery service may be provided at a nominal charge. Ordinarily, delivery should not be undertaken by the cooperative club, but, if provided, should be restricted as much as possible. The plan of making a small charge for each delivery avoids the taxing of all those who are willing to carry their purchases home, but of course makes concentrated delivery routes harder to establish.

Some clubs operating in a city, with scattered membership, have found it an advantage to create regional buying units. Deliveries for the members of the unit are then made to the unit headquarters, at which the members call for their goods. In the case of a small neighborhood club, storage room may be hard to find. One of the members may have a convenient cellar, or the members may take turns in receiving the goods at their homes and calling the club together for the distribution. This latter method may be made a social function. When a neighborhood club becomes so large that it seems necessary to hire storage room and an attendant, it is time to consider making the necessary changes in organization to become a cooperative store society.

Records

More bookkeeping is necessary if savings returns are paid than if goods are sold to members at cost, but the former practice is preferred, for two reasons: Price cutting impairs buying by arousing local animosity, and it prevents the accumulation of savings that can be used for the starting of a store. Several ways of record keeping are possible, the simplest being that by which members save their receipts and turn them in at the end of the accounting period. Sales books with triplicate record, obtainable in stationery and some 10-cent stores, have been used effectively by buying clubs.

Division of Net Savings

The objective of the club, as already noted, should be the eventual establishment of a cooperative store or some other fully developed cooperative industrial or service enterprise. It is advisable, therefore, to begin building for such an enterprise at the start. From the savings made by the club, provision should be made for reserves and for an educational fund.

The surplus may be returned to the members in proportion to patronage, but in this connection it is strongly recommended that the club establish the practice of returning only part of the savings in cash and retaining the remainder for the purpose of accumulating capital to be

used eventually to finance a cooperative store or other enterprise.⁷ A certificate may be issued to each member indicating the amount of his share in the retained surplus. This practice serves a double purpose, i. e., it helps to build for the future, and it avoids members' disappointment over small returns when the store is finally started. A high rate of cash return on the comparatively few commodities the club can handle establishes a precedent which cannot be adhered to after the association starts its store and assumes the continuing expenses of overhead (rent, labor costs, utilities, etc.), and begins to handle many items on which the margin is small.

As already emphasized, cooperative clubs may arrange for definite discounts on purchases by their members directly from local tradesmen, but should not confine themselves solely to this kind of business.

Larger Possibilities

The consumers' cooperative club should make it a definite policy to get into touch with other cooperative clubs and with cooperative stores and to urge pooling of orders and federation among the groups. This is important especially if there is no cooperative wholesale service available and in case of perishable or other commodities that the wholesale may not be able to supply but which near-by groups can purchase together. A local federation could effect many economies and would doubtless encourage the promotion of other cooperative organizations.

Although the club should not be more than a temporary phase of organization it may be an important phase, and thus of value to the progress of the cooperative movement. The members should conduct regular meetings for purposes of study and discussion. Specific problems in cooperation may be assigned to certain members, to study and make a report at a later meeting. The history, principles, philosophy, and methods of cooperation should be studied and discussed. Speakers may be invited to address the club from time to time. Cooperative periodicals should be subscribed for and a library started.⁸

The question of expansion into other cooperative business should constantly be before the club. Among the activities that may be considered are: Distribution of milk, coal, or petroleum products;⁹ a cooperative credit union;¹⁰ a bakery, restaurant, or boarding house. The

⁷ Persons experienced in this field hold that the rate of patronage refund in any form (whether cash, shares, or merchandise) should never exceed 3 percent and that the remainder should be put into a reserve for future expansion.

⁸ Educational materials, speakers, advice, and assistance may be obtained from some of the cooperative wholesales, most of which have educational departments. For a list of these associations, see appendix J (p. 88).

⁹ For information as to equipment and capital necessary to operate a petroleum association, see p. 23.

¹⁰ Information on the organization of a credit union may be obtained from the Credit Union National Association, 1617 Sherman Avenue (mail: P. O. Box 431), Madison 1, Wis.; and from the Bureau of Federal Credit Unions, Federal Security Agency, Washington 25, D. C.

members may organize for health protection and medical care, using one of a variety of plans.¹¹ Cooperative undertaking (funeral) business is highly successful within large groups.¹² Recreation, an orchestra, a choir, motion pictures, a summer vacation camp, or farm within reach of the members, also offer possibilities. It is extremely important, however, that each activity be launched soundly and operated efficiently before attention is diverted to another project.

The club is not a means of getting something for nothing, but it is a way of shortening and making more direct (and therefore less expensive) the route from producer to consumer, of enabling a group of consumers to pool their buying power for quantity purchasing, and thus saving the consumer money. It can connect the organized consumers with the organized farmers and other producers, promoting the economic advantage of both parties, and at the same time give training in cooperation and mutual aid and prepare the members for expansion into other cooperative fields.

¹¹ Information and advice regarding plans of medical care may be obtained from the Cooperative Health Federation of America, 343 S. Dearborn St., Chicago 4, Ill. For typical bylaws for such an association, see appendix E (p. 70.)

¹² For typical bylaws for a burial association, see appendix D (p. 67).

PART 3.—APPENDIXES

Appendix A.—Outline for Survey of Community ¹

I. Community characteristics.

1. Is this a stable community or a rapidly changing one?
2. What employing industries are there in the community? Are they varied or does employment depend on one or two industries (i. e., so that a depression in them would seriously affect the financial status of the membership of the cooperative)?
3. Is business fairly good?
4. Is employment fairly stable?
5. Are the residents accustomed to participation in community (joint) activities (picnics, literary associations, labor unions, etc.)?
6. Are there capable leaders available for work in organizing and directing a cooperative?

II. Local competition—existing agencies.

1. Number, type, and approximate volume of business of commercial enterprises in the locality (grocery stores, general stores, fuel yards, gasoline stations, etc.).
2. Causes of dissatisfaction with existing agencies.
3. Possible ways in which cooperative could improve upon existing agencies.
4. Competition from existing agencies would be (keen) (weak); (fair) (unfair).

III. Trading and membership prospects.

1. How large a trading territory could a cooperative be expected to have?
Miles N—S—E—W—, square miles —.
2. Number of families living in territory shown in Q. 1.
3. Estimated number that would be interested in joining a cooperative.
4. Probable volume of business of the cooperative.
5. Is trading territory large enough so that a branch would be feasible in the same or a nearby town at some future time?

IV. Trading facilities.

1. Can desirable store facilities be leased? At what rental?
2. Are conveniences (water, electricity, gas, fuel) easily available?

V. Financing.

1. Can sufficient capital be supplied by the prospective members to finance the organization without borrowing?
2. Will prospective members see the necessity of and agree to building up adequate surplus and reserves each year?

VI. Other cooperatives.

1. What cooperatives now operate in the proposed areas? How long has each been organized?
2. What percent of the available volume of business does each handle? How many members in each?
3. What proportion of the families in the locality now utilize the services of each?
4. Do the members feel that these cooperatives have been successful? If not, why?
5. What associations have failed in the past in this community? Reasons for failure in each case.

¹ Adapted from an outline drawn up by Kansas State College, Manhattan, Kans.

VII. Questions relating to operation of the association.

1. Can competent management be obtained at a cost per unit within financial reach of the association?
2. Estimate a detailed budget of operating and fixed expenses for a year (see pp. 25, 26).
3. Estimate volume necessary to pay these expenses and establish adequate reserves (see pp. 21, 22, 35).
4. Probable sources of supplies for the cooperative. Is there a cooperative wholesale association sufficiently near to make patronage of it possible? What lines of goods does it handle (see p. 88)?

VIII. Summary and recommendations.

1. List conservatively the probable advantages of a cooperative.
2. List conservatively the probable disadvantages of a cooperative.
3. List the types of cooperative that, in the committee's opinion, are feasible for a cooperative group here.
4. Draw conservative conclusions as a result of the survey.
5. A cooperative should not be organized unless the following can be answered in the affirmative:
 - (a) Is there a definite need of more than a temporary nature for a cooperative in this community?
 - (b) Are local conditions favorable to a cooperative business?
 - (c) Can a volume of business sufficient for economical operation be obtained?
 - (d) Can the funds necessary for capital be obtained from the prospective members?
 - (e) Can competent management be obtained at a unit cost within financial reach of the association?
 - (f) Can enough capable persons be found in the area to oversee the affairs of the association?

Appendix B.—Suggested Bylaws for a Consumers' Cooperative

The following bylaws are intended as suggestive only. Before attempting to adopt a set of bylaws the group should study carefully the law under which it incorporates, in order to make sure that its requirements are met.

In each State the articles of incorporation are required to contain a good many of the points included in the suggested bylaws given below. Such points could be omitted from the bylaws, in which case the articles of incorporation should be printed or mimeographed and issued to members along with copies of the bylaws. Separation of matters required in the articles from the bylaws has the advantage that such points can be amended without thereby requiring also an amendment in the bylaws.

Bylaws of the—Cooperative, Inc.¹

ARTICLE I.—*Name and Business*

SECTION 1. *Name*.—The name of this association (hereinafter called "the Association") shall be the _____ Cooperative, Inc.

SEC. 2. *Principal office*.—The principal office of the association shall be located in _____, _____, but the association may have offices _____, _____,

(City)

(State)

and places of business in such other places as the membership may determine.

SEC. 3. *Business*.—This association shall have the authority to buy, store, distribute, sell or handle, process, and produce for its members or for its members and other patrons, foodstuffs, clothing, merchandise of all kinds, fuel, petroleum products, building materials, and any and all other commodities which the association may see fit to handle; to perform such other services as the members may desire; to acquire, either by purchase or lease, real estate and other properties or facilities necessary or desirable in the conduct of its business; to mortgage, sell, and convey such properties;² and to purchase, hold, sell, assign, or transfer the shares of capital stock of other co-

¹ After a suitable name has been selected by the incorporators, permission to use the same must be obtained from the authorities of the State in which the organization is to do business.

The word "cooperative" should appear in the title of a cooperative, if the State law permits. Either "Inc." or "Incorporated" should appear in the title as an indication that the liability of the members is limited. Many groups use merely "* * * Cooperative, Inc.," but inclusion of the name of the town or region where the association will operate (as "Cedar Ridge Cooperative, Inc.") is recommended. It is desirable not to use "Company" or "Corporation," as they are peculiar to profit business. If a corresponding term is desired, the word "association" should be used if legally possible.

² In general it is well to include all these purposes (or as many as the law under which incorporation takes place will permit), even though immediate plans call for only one or two of them. If they are all included in the bylaws (they should also be enumerated in the articles of incorporation), amendments will not be required every time the association undertakes some new line of business. The word "service" is desirable because an association may wish to supply something more than commodities.

If the association is also to market agricultural products for its farmer members, another clause to that effect should be inserted, preferably at the end of the first sentence. The following wording may be used: "Or marketing for the same of any or all products of the farm, together with the byproducts produced in the manufacture, processing, or handling of these products."

operative associations.³ It shall also enjoy all other rights and privileges consistent with its certificate of incorporation and the laws of the State of . . .

ARTICLE II.—*Membership*

SECTION 1. *Membership qualifications.*—Membership in the organization shall be open, without restriction as to race, sex, religion, or political or other affiliation, to any consumer who can make use of its services,⁴ is in agreement with its aims and purposes, agrees to abide by its bylaws, and has complied with the share-capital requirements⁵ of section 2 of this article.

SEC. 2. *Application for membership.*—Application for membership shall be made in writing on a form provided for the purpose.⁶

The applicant shall subscribe for ---- shares of the capital stock⁷ of the association and shall make an initial payment on such subscription of at least \$-----, and shall pay an application fee of 25 cents (or 50 cents). The applicant becomes a full member with voting privileges only after he has paid in full for ---- shares.

Nonmembers, patrons of the association's business, who have accumulated surplus savings in the form of credits toward the purchase of capital stock to the amount necessary for membership may, upon making application, be accepted as members and receive the stock certificates to which they are entitled.

³ If the law permits, the last clause of this sentence should by all means be written in. Otherwise, it may prove difficult at some future date to join the nearest cooperative wholesale association, or, for that matter, any central cooperative organization.

⁴ For discussion of membership principle on which cooperatives operate, see pp. 9, 12.

⁵ (a) These bylaws are for a cooperative corporation financed by means of capital stock, since this is the prevailing form of consumers' cooperative. Some States also permit the incorporation of a consumers' cooperative as a membership association without capital stock, and this may be desirable under some circumstances. Where such a law is available, there are certain arguments in favor of this form of incorporation, such as the following:

1. The distinction between the cooperative and the profit form of business is much more sharply defined if the former is a nonstock organization. In a community where "capital stock" is for most people associated with dividends on stock, voting of stock, and other common business practices, it is very easy for many people, even members of the cooperative, to look upon their association as only one more example of profit business; and in annual meetings or elsewhere even to demand excessive stock dividends, more than 1 vote for the holder of several shares, a splitting up among the members of the reserve fund or of the profits on sales to nonmembers.

2. Some people are afraid to buy stock in any organization, especially if they have once lost money on such investment stocks.

3. The interest paid on the capital stock of cooperative associations is regarded, for Federal income tax purposes, as a part of the profits of the business and therefore taxable.

There are also arguments against use of the nonstock form, such as (1) the obtaining of adequate capital is more difficult; (2) if it becomes necessary to borrow money, the association's balance sheet shows a weaker position; and (3) there is danger of bankruptcy in years of lean earnings, because the association may be unable to meet interest charges.

(b) A nonstock membership organization is financed by means of loans secured from its members and elsewhere. Commonly, nonstock associations issue certificates of membership instead of stock. The price of these certificates is often similar to the price of shares of stock. Additional funds are sometimes secured by the issuance of bonds or notes.

The membership should consider all these factors and adopt the law and form that are most desirable for its peculiar circumstances.

⁶ A certain amount of formality is desirable. Also, every association should have available a few elementary facts about all its members, such as name, address, age, occupation, etc. Some application forms require the applicant to state that he is familiar with the bylaws of the association.

⁷ The amount required from each member depends upon local conditions. Most store associations should require each member to subscribe at least \$25. Many such associations set a lower figure, but they handicap themselves by so doing. Some demand that each member subscribe \$100, but give him a long period in which to pay it. If organizations which are members are required to subscribe larger amounts and to make larger initial payments than individuals this fact should be specified in the bylaws, or the board of directors should be given explicit permission to make exceptions in such cases.

For discussion of the forms and purposes of share capital, see pp. 13-15.

SEC. 3. *Action on application.*—Every application for membership shall be acted upon by the board of directors, which may, in its discretion, refuse to sell to or refuse to accept a subscription from any person, but such right shall not be exercised unreasonably.⁸

An applicant rejected by the board shall have the right of appeal to a meeting of the members, whose decision shall be final. Rejected applicants shall receive in cash any amounts credited on application fee or shares of stock.

SEC. 4. *Rights of inheritors.*—A legal heir of a deceased member, who has inherited stock in the association, may apply for membership by making formal application as authorized in section 2 of this article and paying the application fee, but the board of directors shall have the same rights to approve or reject as are indicated in section 3. If the application is rejected, the association shall repurchase his shares, provided this can be done without jeopardizing the solvency of the association.⁹ In case the association does not or cannot repurchase such shares the inheritor shall have the right to dispose of them under the provisions of article IV, section 3.

SEC. 5. *Membership roll.*—A list of the members with their addresses, and the other information called for on the membership application shall be kept by the secretary. Each member shall be responsible for notifying the secretary within 10 days of any change of address.

SEC. 6. *Presentation of bylaws.*—A copy of these bylaws shall be given to each applicant for membership before or as he is accepted into membership.

SEC. 7. *Organization members.*¹⁰—Cooperative societies or other organizations not operated for profit, whose aim and purposes are not in opposition to those of this association, may make application for membership and on approval by the board of directors shall subscribe for the minimum amount of stock set forth in section 2 of this article, or such larger amount as the board shall determine.¹¹ Such an organization member shall, however, be entitled to only one voting delegate in meetings of the association.

SEC. 8. *Rights and duties of members.*—Every member must agree to obey the rules of the association as set down in these bylaws, or elsewhere, and the decisions of the general membership meeting or of the board of directors. He must also help to promote the aims and purposes of the association, the success of its business, and the welfare of its members.¹²

The books of account, stock book, and transfer ledger of the association shall be available for inspection by any member of the association who has been a member for at least 6 months prior to his demand.

SEC. 9. *Withdrawal or expulsion from membership.*—A member wishing to terminate

⁸ The only really valid reasons for rejection are (1) inability of the applicant to patronize the association's business, (2) positive knowledge of the applicant's hostility to the cooperative, its aims and purposes, the nature of its business, or its membership (hostility on the part of the applicant to particular individuals on the board of directors or among the employees is not sufficient grounds for rejection), or (3) knowledge that his acceptance would be harmful to the association because of his character.

⁹ It is advised that the provision giving the association the right to repurchase inherited stock be printed on the stock certificate itself.

¹⁰ Unless it is clearly established that the laws of the State in which the society is incorporated permit such organization membership in a cooperative corporation, this section must be stricken out. The laws of the State must also be consulted to determine what voting rights are permitted in such an instance.

¹¹ The directors may decide that another association, which has ample funds and is going to demand more in the way of service than is accorded an ordinary householder, should contribute a larger amount to the capital stock of the society.

¹² Some associations have a pledge embracing these obligations. This is printed on the form used for application for membership. Others ask for a verbal pledge when the applicant is admitted by the board of directors. Although objection has been raised that a pledge of this kind has no real value, since it cannot be strictly enforced, this is not a final argument against it. There is a genuine moral value in any promise which impresses upon the prospective member the fact that he has duties and responsibilities, as well as rights and privileges, as long as he is a part of the society.

his membership shall make written application to the board of directors, which shall have the right to establish the terms according to which the repurchase of his stock may take place, subject to the provisions of article IV, section 3.

In the interest of the association, the shares of any member may be repurchased and his membership canceled, under the terms of article IV, section 3.

The application fee shall not be returned to a member who withdraws or is expelled.

ARTICLE III.—*Fiscal Year*

SECTION 1. *Fiscal year*.—The business period of this association shall begin with ----- of each year and end on -----.¹³

ARTICLE IV.—*Capital*

SECTION 1. *Stock certificates*.—A numbered certificate of shares in the association shall be issued to each member on the full payment of his subscription to the capital stock, and for subsequent shares as paid for.¹⁴

SEC. 2. *Limitation on shareholding*.—No member shall hold, either directly or indirectly, over 5 percent of the total shares or \$2,000 in shares, whichever is less.¹⁵ The record of stockholders and the outstanding stock shall be kept by the secretary in a book for that purpose.

SEC. 3. *Transfer or repurchase of shares*.—The association shall have the first option on any shares of stock offered for sale.¹⁶ Shareholders desiring to withdraw from mem-

¹³ The period may be the calendar year or some other fiscal 12-month period.

¹⁴ Such certificate should be numbered and registered as issued, and should contain the shareholder's full name, the number of shares owned by him, and their value at par, and be signed by the president and treasurer and impressed with the seal of the association.

Some associations also issue to members on their admission a membership card or book. A card is merely a formal indication of membership with its rights and privileges. A membership book usually contains blank pages on which may be recorded the various installments paid on subscribed capital, other payments or loans made to the association, quarterly, semiannual, or annual purchases made from the association, interest payments on capital, and savings returns received by the member. This system is not used so extensively in the United States as in European countries for the average member here objects to carrying a membership book to the cooperative at regular intervals; this system also entails additional clerical work.

Before issuing share certificates, the association should consult the office of the General Counsel of the Securities and Exchange Commission, Washington 25, D. C., to see whether the association is subject to the Federal Securities Exchange Law. It must also comply with the Capital Stock Transfer Act.

¹⁵ Too many shares in the hands of any one member is not desirable. A member might hold only 5 percent himself, yet have additional shares owned by minor members of his family—children not legally entitled to exercise all the privileges of membership. A member with a large number of shares might not have the power of more than 1 vote, but he would perhaps be in a position to injure the association by removing all of his money at once.

In some States without a cooperative law and in which, if the association incorporates, it must do so under the general corporation law, a stockholder must, under the law, have as many votes as he owns shares of stock. Where this condition exists, a cooperative association can meet the situation by organizing under the District of Columbia act (see p. 74). A much less desirable alternative is to incorporate under the general corporation law of the State and provide in the bylaws that each member shall have only one share of voting stock, and any additional shares may be issued as preferred (nonvoting) stock; if the law does not permit this, the additional capital may be in the form of a long-term loan (but this is much less desirable). Flexibility in amount of investment may be obtained by assigning different par values to differently numbered shares. In a State in which the law permits the uncontrolled sale of stock by a person to any other person at any price, it may be advisable that the cooperative association should organize as a member association with certificates of membership or loan capital in place of stock, or it should issue only as many shares of stock as it has members.

¹⁶ Some associations have suffered considerably from having outsiders, perhaps even business men who are their competitors, get into their hands a large amount of stock. If stock is to be transferred, the association should see that the new purchaser is to be a patron of the association and in agreement with cooperative principles. This provision and section 2 of this article should amply protect the organization against the buying up of large quantities of stock by a few individuals, who ultimately get complete control and reorganize the association into an ordinary joint-stock company, sometimes with the connivance of the manager. In order to be legally effective, this and any other limitations on disposal of stock should be written into the stock certificate itself.

bership or to dispose of surplus shares must first offer their shares to the association, through its board of directors.

The amount to be paid for such stock shall be the par value of the member's paid-up stock, minus the proportionate share of the deficit (if any) based on total stock outstanding. The computation shall be made as of the end of the previous fiscal year. The deficit figure used in this computation shall be the deficit indicated in the annual report of the fiscal year used, after the board of directors has taken action in accordance with section 7 of this article and section 1 (a) and (b) of article V.¹⁷

If the association, through its board of directors, is unable or refuses to redeem such shares, the shareholder shall then have the right to dispose of them to any person eligible to membership in the association.

Transfers of the shares of this association shall not be binding until made upon the books of the association with the approval of the board of directors, and no transfers shall be completed until the old certificate or certificates have been endorsed and surrendered and a new certificate issued in the name of the purchaser.

The board of directors, also, shall at all times have the authority to repurchase the shares of stock and to cancel the membership of any shareholder (1) who has died; (2) who has ceased to patronize the business of the association to the minimum amount of \$---- per year; ¹⁸ (3) who has failed to meet his payments on stock subscriptions within the specified period of time; (4) or who has for any other reason, been judged unfit for membership.¹⁹ *Provided, however,* That such member shall have the opportunity to appear in his own defense before the next regular or special meeting of the association ²⁰ and that the board of directors is sustained in its action by a majority vote of the members present.

After a shareholder's whereabouts have been unknown for a period of ---- years and, in accordance with the laws of the State of -----, due notice and warning have been given in the public press, the board of directors shall have the right to cancel such membership and transfer his share capital to the reserve fund.

SEC. 4. *Reducing capital by repurchase of shares.*—Whenever the share capital of the association shall, in the judgment of the board of directors be in excess of current needs, the board shall have the right to repurchase from any or all shareholders, who have shares in excess of the minimum requirements of ---- shares, as many such shares as it shall consider necessary to the best interests of the association.

The board of directors shall not repurchase the shares of any withdrawing member nor of any other member when in its judgment such a reduction of the association's capital would in any way endanger the financial condition of the association.²¹

¹⁷ The redemption price of shares is often regulated by the laws of the State. Some States compel redemption at par value, regardless of the fact of a deficit or surplus on the books of the association, others at book value.

¹⁸ This minimum amount will vary according to the nature of the business and other local considerations. An association handling milk or bread only would set a much lower figure than one handling a full line of general merchandise.

This rule is to insure the consumer nature of the membership. There are associations whose membership is largely that of nonpurchasing stockholders, while the business is done mainly with nonmembers. In such a case the interest of the member becomes increasingly a stockholder's interest rather than a consumer's interest, until ultimately these members may decide to reorganize as an ordinary stock corporation and the consumers' cooperative becomes a profit business. It is therefore essential that the actual patrons of the association constitute the membership. In case the financial condition of the association does not permit the repurchase of all shares held by nontrading members, the directors may postpone such action to a more favorable time; but they should have this right and it is their responsibility to determine the real value of the shares before taking any action.

¹⁹ Though the board of directors should have this right, it should be exercised only in extreme cases, such as, for example, when the offending member has opened a private business of his own in direct competition with that of the cooperative business.

²⁰ When a member is before the association for expulsion, it is often desirable that the case be heard by a special committee appointed for that purpose.

²¹ It would seem that this provision is so obviously sensible that it is not needed in the bylaws. How-

SEC. 5. *Lien on capital.*—The association shall have an absolute lien on the share or loan capital, and on the interest due thereon, of any member or any subscriber to share capital, for his debts owed to the association.²²

SEC. 6. *Loan capital.*—The association may accept loans from its members or from nonmembers when in the judgment of the board this is to the best interest of the association: *Provided, however,* That the total amount of such loan capital shall at no time exceed ---- percent of the total paid-in share capital,²³ and *provided further,* that any loans designed to finance new types of business must first be authorized by vote of the membership. Notes or other evidences of indebtedness shall be given by the association for such loans.²⁴

SEC. 7. *Returns on share and loan capital.*—Interest on share capital shall be at the rate of ---- percent per annum²⁵ and shall be paid only from earnings. Such return shall not be cumulative.²⁶ No return shall be paid on shares until the shares have been paid for in full.²⁷

Loan capital shall receive interest at a rate fixed by the board of directors, but shall not exceed ---- percent per annum;²⁸ such interest may be cumulative.²⁹

ARTICLE V.—*Disposal of Net Savings*

SECTION 1. *Distribution of net savings.*—The board of directors shall at the end of each fiscal period provide for the distribution of the net savings remaining after expenses have been met, according to the following method:

(a) *General surplus reserve.*—From the net savings shall be allocated to the general reserve account 10 percent of such savings until the reserve is equal to the amount of ever, many a board of directors has acted directly contrary to its own best judgment in the face of persistent demands on the part of some strong-willed shareholders. A clause such as this in the bylaws will help to stiffen the backbone of a board of directors, and a resolution by the board expressing its judgment and the reasons therefore would probably meet the situation.

²² Many an association having no rule such as this, has felt itself obliged to redeem the capital stock of a withdrawing member, even though that member was in debt for goods purchased. Not only should there be such a provision in the by-laws, but it should be scrupulously followed.

²³ Some associations have at all times large amounts of loan capital; in some instances twice as much as of share capital. Such an amount is dangerously high; it should not exceed 50 percent of the share capital. There are many members who will take the minimum requirement of shares of stock, but will advance additional money only in the form of deposits or loans which are a much safer investment in the event of losses sustained by the business, and which at the same time are more easily recovered on reasonably short notice. Thus loan capital offers a new source of capital. On the other hand, since a serious wave of unemployment or other crisis in the community might provoke a "run" on the loan-capital fund, no association should load up heavily with such a dangerous form of capital except on long-term callable notes or bonds. It should again be emphasized that the practice of depending upon loan capital for the financing of cooperatives is dangerous.

²⁴ Wherever agreeable to the depositor, these notes should be made for longer periods of time—6 months or 1 year, or 2 years or more; they could be redeemable "90 days after demand." Notes or bonds running 20 years or more are advisable where the money is used for building. Bonds are safer than short-term notes, because they insure a longer loan, and they have a definite maturity date. Most cooperative associations will not undertake to issue bonds, but they should try to give these notes something of the same stability. Of course, as long as this form of capital is needed, members should be urged to renew their notes well in advance of the date of expiration.

²⁵ In no case should the maximum rate here specified exceed 6 percent; 4 or 5 percent is preferable.

²⁶ It is conceivable that during the first year or two the association may not be able to pay even a low rate of return. Therefore provision may be made that in later and more prosperous years the past payments may be met; this is a question for the membership to decide, but cumulative returns are not recommended.

²⁷ If the interest return is to begin as soon as 50 or 75 percent of the amount subscribed has been paid in, it should be clearly stated that such payments shall not be made in cash but shall be applied only toward the unpaid balance of subscription.

²⁸ One cooperative wholesale recommends to its member associations that the rate paid on loan capital should not exceed the local bank rate on demand deposits.

²⁹ Loan capital is entitled to its interest before share capital. In fact, the interest on it should be charged to operating expenses, whereas the return on share capital must come out of net surplus savings; it cannot lawfully be paid from the general reserves.

paid-in capital; and thereafter 5 percent.³⁰ The general surplus reserve shall consist of money especially allotted to it from net savings or earnings of the business, contributions from individuals, confiscated capital of removed or deceased members, and any other amounts appropriated to it by action of the board of directors or the general membership meetings. This reserve shall be used to absorb operating deficits of unsuccessful years, losses caused by fire, theft, or other reasons; for extension of the association as a consumers' cooperative; or for other developments directly associated with the cooperative movement, upon vote by a general meeting of the membership.³¹

The general surplus reserve shall be the indivisible property of the association as a whole.³²

(b) *Patronage refunds.*³³—The remainder of the net saving, after deducting the reserves, interest, and income taxes thereon, shall be distributed in patronage refunds in accordance with paragraph (c) of this section;

Provided, That these savings returns or patronage refunds may be paid immediately in cash, or in certificates of indebtedness, or may be placed in a revolving fund upon the books of the association to the credit of the patron members, to be paid at some future date at the discretion of the board of directors; and

Provided further, That in case of a patron who is not the owner of shares sufficient to qualify for membership in the association, patronage refunds shall be credited to the payment of such stock.

If a nonmember fails to become a member within -----, the amount to his credit shall be transferred to the educational fund.

No patronage refunds shall be paid for any period in which there was an operating deficit, nor as long as the association has a general deficit.

(c) *Method of distribution.*—Members shall be notified to turn in to the board the cash-register slips for purchases made in the period. The patronage refund payable to each patron shall be the proportion which the total of his refund slips bears to the total amount available for distribution.³⁴

Any sums remaining after such distribution shall be transferred to the educational reserve.

³⁰ Before the amount to be placed in the reserve is determined, the State law should be consulted, as some of the laws have a definite provision on this point.

³¹ Under this section it is possible for the association to make an appropriation to the central, national, or district cooperative educational body. Generally, however, such appropriations should be made out of current surplus savings or earnings. Funds should not be appropriated from the reserve as donations to organizations or causes outside the consumers' cooperative movement; such action establishes a precedent from which it is difficult to disentangle the association in the future; furthermore, it may cause disagreement and division in the membership. Donations to purely charitable organizations should be the only exceptions to this rule.

³² The indivisibility of the reserve fund is important. Its meaning should be made clear to the membership, for this is one particular in which the cooperative business differs radically from profit business. Many associations have made the mistake of crediting each shareholder with "his share" of the general surplus reserve and actually turning this over to him in the form of cash when he withdraws. In other associations, the membership meeting has voted to divide the reserve. Either practice is objectionable, for it allows such persons to profit from the funds built up from patronage of previous members and is in violation of that Rochdale principle which requires that cooperative shares shall never exceed the par value. Monetary benefits to members of cooperatives should be the result of patronage, not of the investment.

³³ For discussion on suggested periods of patronage refunds and preferred methods of handling refunds on nonmembers' patronage, see pp. 36, 37 and footnote 3, p. 65.

³⁴ Some associations so phrase the above that the members returning their slips receive the whole amount available for distribution. This is an undesirable practice that permits the members turning in slips to make a profit on the saving resulting from the patronage of those who failed to return their slips. Such undistributed savings should be used only for general cooperative purposes, such as education.

ARTICLE VI.—*Prices*

SECTION 1. *Distribution prices.*—As nearly as feasible, goods and services shall be supplied to the members at the prices prevailing in the profit business of the neighborhood or with which the association competes.³⁵

ARTICLE VII.—*Government*

SECTION 1. *Membership control.*—The control of the association shall be vested in the membership meetings.³⁶ The board of directors and such special committees as may be elected by the membership meetings³⁷ shall administer its affairs. Final and supreme authority resides in the membership meetings.³⁸

SEC. 2. *Quorum.*—At any regular or special meeting a quorum shall consist of -----³⁹

SEC. 3. *Regular membership meetings.*⁴⁰—The regular meetings of the membership shall be held annually (semiannually)⁴¹ on the ---- day of ----- and the ---- day of -----, at a time and place to be determined by the board of directors and specified in the call to the meeting.⁴²

³⁵ For a discussion of the reasons for this practice, see p. 30. In the case of associations such as those providing medical services on a prepayment basis, exception might be made. In such cases the charges would be based upon the estimated actual cost of services; any surplus would be used to lower the fees or be retained by the association for expansion of services.

³⁶ Included under the head are both regular and special meetings.

³⁷ For the number and nature of such committees see section on committees, page 38. These committees must not be confused with those elected or appointed by the board of directors. The latter are under the control of and responsible to the board of directors only.

³⁸ Unless the State law reserves certain powers to the board of directors. General control and centralized administration are the basis of cooperative business.

³⁹ The number necessary for a quorum should be given careful consideration. It should depend upon the size of the association and the possibility of members' attendance. In the average association the quorum could be 100 members, or 5 percent of the members, whichever is less. In a small society it should be a larger proportion.

⁴⁰ The order of business at regular membership meetings may well include the following:

Reading of minutes of last regular or special meeting.

Unfinished business left from previous meetings.

Report of president.

Report of secretary.

Report of treasurer.

Report of manager.

Report of audit committee.

Report of education committee.

Report of membership committee. (It is very easy for a meeting to confine itself exclusively to business matters. Therefore, it is essential that a place be definitely allotted on the agenda for discussion of education and membership. It is important to have a sound educational policy as well as a sound financial policy. Expansion and development of the membership are as essential as expansion and development of the business. Otherwise the members lose contact with their business institution, become indifferent to it, and soon begin to look impersonally upon it, as merely one of several competing stores in the neighborhood.)

Report of other committees.

Election to fill vacancies on board of directors or committees, for the unfinished term, and of new directors and committee members.

Action on recommendations of board. (Matters to be presented may cover a wide range of subjects, such as proposed amendments to the bylaws, construction of a new store building, opening a new department or branch store, placing a mortgage on the association's real estate, expulsion of a member, authorizing the sending of a delegate to a national or district convention, etc.)

Other new business.

⁴¹ For a discussion of the frequency of meetings, see p. 18.

⁴² "Third Thursday of February and third Thursday of August" is the way one association designates the date of meetings. Some States (New York is one) demand that the exact day be designated in this way. Others permit the directors to use their discretion in each instance. If the State law does not require this, it may be left out and in its place may appear the words "on such date as may be determined by the board of directors." The date should, however, be at least 1 month, preferably 6 weeks,

Notice of regular meetings shall be posted prominently in the association's places of business and shall also be sent by mail to the address of every member as registered on the books of the association at the time the notices are sent. Notices shall be sent at least 10 days before the date set for the meeting.

SEC. 4. *Special meetings.*—Special meetings of the membership may be called at any time by action of at least one-third of the board of directors, and must be called upon petition therefor, signed by at least 5 percent of the members and presented to the board.⁴³

Notice of special meetings shall be given in the same manner as is provided for regular meetings (sec. 3), but such notices shall be sent at least 14 days before the date set for the meeting.

Notice of special meeting shall state the time, place, and purpose of such meeting and the business to come before it and no business other than that specified in the call shall be transacted.⁴⁴

SEC. 5. *Rights and limitations of the membership meeting.*—The membership meeting has both the right and the responsibility to elect directors or members of committees and to remove them from office if and when they are derelict in their duties; to hear and pass upon the reports of the officers, the manager, and any committees which are responsible to the membership; to make the final decision regarding any drastic changes in the financial policy; to act as final arbiter in any disputes or disagreements which may arise between the board of directors and any committees or individual members; to determine what amendments shall be made in the bylaws; and to exercise its final authority in all other matters vitally affecting the association as a cooperative democratic body and as a business organization.⁴⁵

SEC. 6. *Participants in membership meetings.*—Every member who has met his full obligations as regards share capital, as specified in article II, section 2, and who has not in other respects been judged, by a membership meeting, to be delinquent or acting contrary to the interests of the association, shall be qualified to vote and to participate in the meetings of the association.⁴⁶

SEC. 7. *Voting.*—Election of directors and members of committees shall be by secret ballot unless unanimous consent is given to a vote by show of hands. Action on all other matters shall be by ballot, by an "aye" or "no" vote or by a rising vote, as the majority of members present may decide. Each member shall have one vote on all

after the end of the fiscal period, in order to allow time for the preparation of the reports.

A few States demand that the place for the meeting shall also be fixed in the bylaws but this is unusual. The call to the meeting is sent out by the secretary, either on a postcard or by letter. Whenever possible it should also be published in the local press or in the publication of the association if it has one.

⁴³ The right to initiate a call for a special meeting should be recognized in every cooperative association. A very small association should probably require the signature of 20 percent of the members, whereas a very large association might require only 5 percent or even less.

⁴⁴ This last paragraph is a legal requirement in many States, and it should be required in every cooperative association. A special meeting generally has some special purpose, and this purpose must be clearly stated in advance. And then, once the meeting is in session, no person present should be permitted to surprise the meeting with some other business, the nature of which the members may not be prepared to discuss. In fact there might be many members absent from the special meeting whose interests would be vitally affected by the "surprise" business and who would not be absent if they knew it was to be discussed. Special meetings must be sharply restricted to the specific purpose for which they are called.

⁴⁵ At first glance this section may seem unimportant; it is not. Many associations have been seriously crippled because the membership meeting did not have its duties clearly defined; therefore, it neglected some of its most important duties (such as selecting the proper people for the board of directors or not holding them strictly to account after they were elected), or, on the other hand, handicapped the board's effectiveness by interfering with its work.

⁴⁶ If the board of directors has already decided that any member should be dismissed for infraction of the rules or for activities hostile to the association, the offending member should not be disqualified from participating in the meeting unless the meeting has approved the action of the board. The board should not be placed in such power as to make it possible for it to determine who may or may not vote at a meeting. This power should rest with the membership only.

voting occasions, and never more than one vote,⁴⁷ and there shall be no voting by proxy.⁴⁸

At the discretion of the board of directors, or upon the presentation of a petition signed by 5 percent of the membership, the secretary shall, along with the notice of meetings, include a copy of any specific proposal to be acted upon by the meeting.⁴⁹

SEC. 8. *Directors and officers.*—The management of the association shall be vested in a board of directors consisting of 7 (or 9) members. The directors shall serve for terms of 2 years, half of the board being elected at each annual meeting. They shall be eligible to serve until the election of their successors.⁵⁰

The board shall elect the officers—a president and vice president, to be selected from the board, and a secretary and treasurer—and shall be authorized to appoint an executive committee. The office of the secretary and treasurer may be combined in one person.⁵¹

The board is authorized to fill the position of a member who resigns before his term expires, such appointee to serve until the next regular election only.

SEC. 9. *Disqualification of officers and directors.*—Any director or officer shall vacate his office if he holds any other office or place of profit under the association; if he

⁴⁷ The 1-vote rule should be enforced under all circumstances, unless the State law contains specific provision to the contrary. It is one of the fundamental principles of consumers' cooperation.

For procedures in regard to an organization holding membership in the society and represented in the meeting by delegate or delegates, see art. II, sec. 7.

⁴⁸ Proxy voting should not be permitted in cooperative associations because it may be used to defeat democratic control. When associations reach so great a size or have a membership so widely scattered that the members cannot come together in a single meeting place, such associations should (if the law permits) be divided into district groups, each having a meeting place, local autonomy, and delegate representation in the central meetings of the central organization. If the problem cannot be solved in this way because of scattered membership, voting should be carried on by referendum. That is, each question to be voted on should be formulated to be answered "yes" or "no," and sent to each member for his vote. But proxy voting should not be adopted as a compromise under any circumstances, unless the requirements of the State law make this unavoidable. If State law requires that proxies be permitted, the bylaws should include limitations which appear to be legally feasible, such as the following: (1) No one but a member shall be allowed to cast a proxy; (2) no member shall be allowed to cast more than one vote; (3) any member unable to be present at a meeting and desiring to give a proxy, shall so notify the secretary within a specified time in advance of the meeting; and (4) no proxy shall be valid for more than the meeting indicated in (3).

If the State law requires vote by mail under certain circumstances, a provision to that effect should be inserted at this point.

For a discussion of the difference between voting by proxy and voting by mail, see footnote 6, p. 9.

⁴⁹ Some associations provide that a member unable to be present may cast his vote by mail, on specific measures, provided he signs his vote and it is received in time to be counted. It is desirable, however, that members be present, in order to receive the benefit of discussion representing various points of view.

⁵⁰ Some societies do not allow more than 2 consecutive terms, requiring that candidates retire for 1 term before they become eligible for further service. The board of directors and all other committees should always be an odd number. Some cooperatives have 1-year terms, with the entire board elected annually; others have 3-year terms, with a third of the board elected each year.

⁵¹ It is highly objectionable to combine the offices of president and manager in the same person. Some societies do this with apparent success, but the success is often more apparent than real. Such societies tend to become "1-man organizations." Sometimes the one man has such control of the business that it is to all purposes his private affair. Such societies have often been destroyed by being taken over by the manager upon his terms. If the manager is both competent and sincere, the society seems to prosper, but the membership and directors' control becomes relaxed. A precedent is established. And the next president-manager, if he fails in either competence or sincerity, is pretty sure to wreck the society. Too much power in the hands of one person sooner or later destroys a cooperative organization. A society, even with a good manager, that has not enough material in its membership to produce a good president is in bad condition.

On the other hand, the combination of treasurer-manager has been found advantageous and is customary in some sections; in this case, the treasurer should not be a member of the board of directors. Some boards in larger associations find it desirable to appoint a corresponding secretary from their own membership and a recording secretary from the paid staff. It is therefore not wise to require these two offices to be filled by board members.

No director should be a paid employee of the association, in any capacity.

becomes bankrupt or insolvent; or if he participates in the profits of any outside firm doing business with the association. No employee of the association or person supplying the association with goods shall hold office as a director on any account whatever. No director shall engage in business which competes with the business of the association. No credit shall be extended on the books of the association to any director.

SEC. 10. *Duties of directors.*—The directors shall administer all business carried on by or on account of the association. The directors shall in all their actions be under control and direction of any regular or special meeting of the members.

At meetings of the board a majority shall constitute a quorum.

The directors shall convene the meetings of the association. One-third of the directors may call a special meeting by giving at least 1 week's notice in writing to the secretary, specifying the object thereof.

The directors shall act for the association and be responsible to it for the performance of the following duties:

1. To watch closely the financial condition of the association and the operating results of its business, and to take action required to keep these in a healthy condition.

2. To appoint the following officials and to assign their duties and determine their salaries:

(a) A manager or general manager to assume administrative control of the business.

(b) An auditor or auditing agency, as soon as the affairs of the association require and the finances permit the employment of a paid auditor. The board will consult the auditing committee in making this appointment, but the paid auditor shall be hired by and be directly responsible to the board.

All the other employees of the association shall be hired and discharged by the general manager, except that the filling of certain key positions specified by the board may be subject to the approval of the board.

3. To require the manager and all officers and employees charged with responsibility for custody of any of its funds or property to give adequate bonds, to be paid for by the association.

4. To provide adequate insurance of the property of the association and adequate insurance against liabilities.

5. To determine and supervise the more important policies of the organization, insuring the conduct of its affairs in accordance with the bylaws, with fairness to members and employees; to provide the best possible conditions of labor consistent with other requirements of these bylaws while demanding equivalent results in efficiency and faithfulness.

6. To decide upon the major steps in business activity and expansion, including the investment of reserve funds; borrowing money, subject to article IV, section 6; making important financial commitments and entering into new fields of business enterprise.

7. To maintain at all times an active program of cooperative publicity and education; and to maintain relations with other cooperative societies, federations, leagues, and wholesales aimed to promote the best interests of the association and of the cooperative movement.

SEC. 11. *Duties of president and vice president.*—The president shall act as chairman at all meetings of the association and of the board of directors, but should he be absent the vice president shall take the chair; should he also be absent the officers and directors present shall elect one from among themselves to act as chairman on that occasion. The president, or chairman acting in his absence, shall sign all contracts.

SEC. 12. *Duties of secretary.*⁵²—The secretary shall attend all meetings of the association and of the board of directors, and shall record the names of all the directors present and the minutes of their proceedings; he shall also countersign all contracts

⁵² Some associations provide for 2 secretaries—a recording and a corresponding secretary—thus dividing and making less onerous the duties here specified.

sanctioned and entered into by the directors; he shall likewise receive all proposals for admission into the association. He shall be responsible for the correspondence, documents, and papers of the association, and shall prepare the regular statement of the association's affairs. The secretary shall on all occasions in the execution of his duties act under the superintendence, control, and direction of the board of directors.

SEC. 13. *Duties of treasurer.*—The treasurer shall be responsible for the keeping of the accounts, for the funds of the association and for the investment of the same under the authority of the directors.⁵³ He shall be responsible for having adequate financial reports presented to the board at regular periods or as the board may direct.

SEC. 14. *Election and duties of auditing committee.*—An auditing committee of 3 members shall be elected by the members of the association. They shall each serve for ----- and shall at all times have access to the books, vouchers, and accounts of the association; shall examine and audit the same and every balance sheet of the receipts and expenditures and effects of the association at least every 3 months; and shall report to the membership meeting, with recommendations. The auditors shall be responsible for the daily and perpetual accounting system kept by the manager and shall check same periodically.⁵⁴

SEC. 15. *Educational committee.*—An educational committee, consisting of ---- members, shall be elected by the membership or appointed by the president. Its duties shall be to educate the membership and the employees, and to inform the public at large, regarding the aims and purposes of cooperation. This committee shall have at its disposal each year (1) a sum amounting to not less than 5 percent of the net savings of the cooperative in the previous year, (2) any sums remaining undistributed from the amount available for patronage refunds, and (3) the patronage refunds credited to non-members who have failed to become members within the period specified in paragraph (c) of this section.

ARTICLE VIII.—*Merger with Another Association*

SECTION 1. *Merger.*—Upon affirmative vote by the membership, the board of directors may arrange for the consolidation of this association with another recognized cooperative in the same or nearby territory, if it appears that this action would prevent duplication of activities, promote efficiency, or otherwise be in the interest of the cooperative movement.

ARTICLE IX.—*Amendments*

SECTION 1. *Amendments.*—These bylaws may be amended, repealed, or otherwise changed by a two-thirds vote of the members at any regular or special membership meeting, provided due notice of the proposed changes has been given in advance.

ARTICLE X.—*Dissolution of Association*

SECTION 1. *Dissolution.*—At any regular or special meeting, due notice of which has been given in advance, this association may be dissolved by a two-thirds vote of the entire membership, present or voting by mail.

SEC. 2. *Disposal of reserves.*—Upon such dissolution duly authorized, any reserves of the association in excess of the outstanding financial obligations and par value of the outstanding shares shall be turned over to such recognized cooperative organization as the membership may determine; or to some Government or other public agency, to be used for some social purpose; or be distributed among those patrons who have been members or subscribers at any time during the past 6 years, on the basis of their patronage during that period.⁵⁵

⁵³ It is customary for the manager or the treasurer to be given the responsibility of depositing, daily, in the bank the money received.

⁵⁴ Other committees may be elected or appointed from time to time to meet special needs. Usually the board will appoint an educational committee, an election committee, and a store or business committee. The board or auditing committee may appoint an inventory committee. In larger associations the actual audit should be made by professional auditors, not connected with the association in any way.

⁵⁵ The purpose of this provision is to prevent the dissolution of the association solely for the purpose of dividing the reserves among those who happen to be members at the time, and thus bar them from profiting from the results of the patronage of the previous stockholders.

Appendix C.—Suggested Bylaws for a Cooperative Buying Club

Bylaws of the—Cooperative Club ¹

ARTICLE I.—*Name*

SECTION 1. The name of this organization shall be-----Cooperative Club.

ARTICLE II.—*Object*

SECTION 1. The immediate object shall be to obtain for members services and the ordinary articles of consumption at the lowest possible cost consistent with quality. The ultimate object is to develop as soon as possible into a full-fledged cooperative business enterprise.

ARTICLE III.—*Membership*

SECTION 1. Any person who agrees to comply with the bylaws of this organization may become a member by paying the admission fee and paying the initial installment on his member deposit, subject to acceptance by a majority vote of the members at any regular meeting.

SEC. 2. A two-thirds vote at any regular meeting may expel a member, provided that written notice of the proposed motion is signed by at least five members and mailed to all voting members not less than 2 weeks prior to the meeting.

A member may withdraw from the association by handing in his or her resignation.

The return of the member deposit in such cases shall be at the discretion of the management committee, but in no case shall the repayment be in excess of the book value of the deposit ² or the par value, whichever is less.

ARTICLE IV.—*Fees and Member Deposits*

SECTION 1. Each member shall pay an admission fee of \$1 and a member deposit of \$5 (\$10). The deposit may be paid in installments of 25 cents per week.

ARTICLE V.—*Meetings*

SECTION 1. Meetings shall consist of (1) a regular monthly meeting of the members; and (2) four quarterly meetings at one of which savings are distributed and problems and policies in connection with them discussed. The quarterly meetings shall coincide with four of the monthly meetings. The quarterly meeting which coincides with the end of the fiscal period shall constitute the annual meeting. At that meeting the reports shall be considered and officers elected.

A quorum shall consist of 10 percent or more of the members.

SEC. 2. Each member shall be entitled to but one vote. No proxy voting shall be permitted.

Members who are paying their deposits in installments may allow their savings returns to be applied thereto, and they may vote when the deposit has been paid in full.

SEC. 3. Special meetings may be called by the officers and shall be called by the secretary at the request of any 5 percent of the members, provided notices thereof are mailed 5 days prior to the meeting.

¹ Buying clubs are, generally, not incorporated. It should be emphasized, however, that in an unincorporated club the members are individually liable (as partners) for any debts it may incur. If the operations become extensive, therefore, incorporation is advisable.

² For method of calculating the value of such deposits or shares see sec. 3, p. 55.

ARTICLE VI.—*Officers and Committees*

SECTION 1. The officers of this club shall be a president, a treasurer, and a secretary-manager, elected annually by the membership. They shall constitute the management committee which shall be in charge of the business of the club.

SEC. 2. The president shall perform the usual duties of that office, and shall also serve as chairman of the educational committee.

SEC. 3. The treasurer shall hold all funds, make all disbursements as voted by the management committee, and keep an accurate record of all money spent and received.

SEC. 4. The secretary-manager shall be in charge of all business details of the club, and shall, subject to later audit by the management committee, sign all vouchers for payment. He shall further carry on all correspondence and keep the minutes of all membership meetings and of the proceedings of the management committee.

SEC. 5. The committee on education shall be composed of the president, as chairman, and as many elected or appointed members as may be deemed advisable. It shall be the duty of this committee to encourage membership and to arouse interest in cooperation among the members and the community.

SEC. 6. An auditing committee of 3 shall be elected from members not on the management committee. It shall be the duty of this committee to inspect the financial records each month, to study and report upon the quarterly balance sheet, and make to the membership any recommendations it deems advisable in connection therewith.

ARTICLE VII.—*Disposal of Savings*

SECTION 1. The surplus savings effected after paying all expenses shall be divided periodically³ on the following basis: Five percent shall be placed in an education fund. At least 10 percent shall be placed in a reserve fund to be used for expansion. The remainder shall be (a) distributed to the individual patrons in exact proportion to purchases made during the period, the amount so distributed to be paid in cash, applied on the member deposit, or left with the club as loan capital, as the meeting may decide or (b) used collectively in such a way as a majority vote of the meeting shall determine. The acceptance of loan capital shall be conditional upon the capital requirements of the club and at the discretion of the management committee. The rate of interest thereon shall be determined by that committee.⁴

ARTICLE VIII.—*Amendments*

SECTION 1. Amendments to the bylaws may be made at any regular meeting, provided a written notice of the proposed amendment to be voted on has been placed in the hands of or mailed to each member at least 2 weeks before such meeting. The provisions of one vote per member and of the return of surplus savings in proportion to patronage shall not be changed except by unanimous vote of those present, who shall constitute (with those voting by mail) at least 90 percent of the membership. For other amendments a two-thirds vote shall be required.

ARTICLE IX.—*Dissolution*

SECTION 1. This club may be dissolved by two-thirds vote of the entire membership, present or voting by mail.

SEC. 2. Upon such vote to dissolve the club, the management committee shall pay all of the debts of the club. All surpluses, reserves, and other assets and liabilities remaining thereafter shall be disposed of in either of the following ways:

³ It is desirable to pay refunds on an annual or semiannual basis, as the volume of business fluctuates rather widely. It may therefore happen that at the end of a very successful quarter savings might be distributed which will be badly needed to tide over a quarter in which business slumps. Annual or semiannual distribution tends to equalize business risks and earnings.

⁴ One cooperative wholesale recommends to its member associations that the rate paid on loan capital should not exceed the local rate paid on demand deposits.

(a) Each member shall receive the amount of his member deposit or such proportion thereof as the above resources will cover, plus his pro rata share of any sum remaining after this obligation has been discharged; or

(b) The surplus, reserves, and all other assets shall be transferred to a new cooperative association established for the purpose of carrying on a cooperative commercial business providing such goods and services as the members shall decide. In such event the members of this club shall have the option of (1) joining the new association, upon agreeing to its bylaws and subscribing for the required share capital, in which case their member deposit shall be applied thereto; or (2) withdrawing from the association, under the provisions of article III, section 2.

Appendix D.—Typical Articles and Bylaws of a Cooperative Burial Association

In the following pages are reproduced the articles of incorporation and bylaws of one of the cooperative burial associations reporting to the Bureau. These are given, not as a "model," but simply as illustrative of the typical articles under which such associations operate.

Articles of Incorporation of the—Cooperative Burial Association

We, the undersigned, residents of Minnesota, acting for ourselves as individuals, do hereby associate for the purpose of organizing and incorporating a cooperative association under the provisions of chapter 326, Laws of Minnesota for 1923, and acts amendatory thereof, and to that end we hereby adopt the following articles of incorporation.

ARTICLE I. The name of this association shall be ----- Cooperative Burial Association.

The purpose of this association shall be to furnish complete funeral service upon the cooperative plan.

The general nature of its business shall be to purchase and supply to its members, caskets, burial vaults, and other burial supplies; to own and operate a hearse; to hire and engage an undertaker to embalm bodies and conduct funerals; and to do any and all other things necessary or desirable in connection with funerals for its members and their families.

For the purposes above set forth, it shall have the power and authority to own, operate, manage, and control a funeral home or mortuary, a hearse or hearses, and any and all such other facilities and general supplies as may be required in the usual conduct of such business or service; to purchase and hold, lease, mortgage, and encumber, sue, exchange, and convey such real estate, buildings, and personal property as the business of the association may require; to issue bonds and other evidences of indebtedness, and to borrow money to finance the business of said association, and it also shall have power and authority, either for itself or its individual members and patrons, to do and perform every act necessary and proper to the conduct of its business or the accomplishment of the purposes set forth herein or permitted by the act under which it is incorporated. The principal place of business of said association shall be in -----, Minnesota.

ART. II. The period of duration of this association shall be 30 years from the date of approval of these articles.

ART. III. Every cooperator shall pay a membership fee of \$5 and shall receive a certificate of membership. The membership shall be a family membership, and shall include the person to whom the certificate is issued, his or her spouse, all single children under 30 years of age, and all other relatives living with that family and depending wholly or partly on the certificate holder for support. This certificate shall be non-transferable, but the death of the certificate holder shall not operate to deprive the other persons herein mentioned from the benefits thereof, and said certificate shall be void when and if all single children under 30 years of age, and the husband and wife, and all other dependent relatives have died. The \$5 membership fee shall then be transferred to a free burial fund. Any certificate holder moving out of the ----- territory may have the membership fee refunded upon application to the board of directors. The net income of the association, except such sums as are required to be set aside as a reserve for permanent surplus, or may be set aside by vote of the certificate holders of the association available for distribution among the members and as may be

prescribed by the bylaws, shall be distributed among the certificate holders or their successors in interest as above outlined, only on the basis of patronage.

ART. IV. The highest amount of indebtedness to which the association shall at any time be subject, shall not exceed five thousand dollars (\$5,000).

ART. V. The names and places of residence of the incorporators of this association, who shall also be the first board of directors thereof, holding office until the first annual meeting of the certificate holders, and until their successors are elected and have qualified, are, together with the offices which they shall hold as follows: [names listed].

ART. VI. The government of this association and the management of its affairs shall be vested in a board of seven directors, which board, after the one hereinbefore named, shall be elected by ballot by the certificate holders of record, for such term as the bylaws may prescribe, at the annual meeting of the certificate holders, which shall be held on the first Tuesday in February of each year at -----, Minnesota, at such hour and place as may be designated in the bylaws. Vacancies in the board of directors may be filled by the remaining members of the board, the person or persons so appointed to hold office until the next annual meeting of the certificate holders. The officers of the association shall be a president, a vice president, a secretary and a treasurer, who shall be elected annually by and from the directors. All directors and officers shall be members of this association, and no undertaker shall be a member of the board of directors. Certificate holders shall be restricted to one vote in the affairs of the association, and voting by proxy shall not be permitted.

ART. VII. These articles of incorporation may be amended as provided by law.

ART. VIII. The fiscal year of this association shall begin on the first day of January of each year, and close on the last day of December of each year.

In testimony whereof, we, the said incorporators, have hereunto set our hands and seals this ---- day of ----- [names of incorporators].

Bylaws

SECTION 1. The board of directors shall consist of seven members of said association. At the first annual meeting four directors shall be elected for 2 years, and three for 1 year. Thereafter all directors shall be elected for 2 years. Said directors shall elect their own officers annually at the meeting on the first Tuesday in February. Four members of said board shall constitute a quorum for the transaction of business. Vacancies shall be filled by a majority vote of remaining members of the board. The person so chosen shall hold office until the next annual meeting or until his successor is elected and qualified.

SEC. 2. The officers shall be a president, a vice president, a secretary, and a treasurer. The president shall be business manager of the association. The board may appoint other officers and committees to assist in transaction of business.

SEC. 3. The officers, respectively, shall have the usual powers and duties of corporate officers.

SEC. 4. Sales of caskets and other supplies handled by the association and other services rendered by said association shall be made at as near cost as practicable, keeping in mind the current operating cost and fixed charges on borrowed capital.

SEC. 5. The net income of said association as defined by statute, shall be distributed as follows:

(a) For the first and second fiscal years the whole thereof, except 1 percent, shall be set aside in a separate fund for the purpose of creating a permanent surplus fund, and thereafter at least 10 percent annually until such permanent surplus fund equals the highest amount of indebtedness to which the association shall at any time be subject as set forth in the articles of incorporation of this association.

(b) One percent annually shall be set aside for an educational fund to promote and encourage cooperative organizations and the success of this association.

(c) After the first and second fiscal years the balance of income available for distribution except as above provided, and as certificate holders by vote may determine, may be distributed to certificate holders on the basis of patronage.

SEC. 6. All membership fees and all money received from any source except donations to other specific funds, or contributions to the free burial fund, shall go into the general fund. All members should pay 25 cents a year or more as requested by the board of directors, to be placed in the free burial fund, which shall be used to assist indigent members. This fund shall be under the sole jurisdiction and control of the board of directors, who shall use it only for the benefit of those who select the cheaper caskets and supplies.

SEC. 7. Regular and special meetings of the certificate holders may be called as provided by statute, and these bylaws may be amended, added to, or altered by a two-thirds vote of all the directors at any meeting, or by a majority vote of the certificate holders at any annual meeting called for the purpose.

SEC. 8. It shall be a part of the duty of the board of directors to appoint a funeral director who may be dismissed by them at their discretion.

SEC. 9. It shall be the duty of said funeral director to do the following work for an agreed compensation to be embodied in a written contract with said association: Embalm the body, if wanted or necessary; direct the funeral and transport the body, if necessary. Said funeral director shall furnish transportation for himself while the body lies in state. He shall take the casket to the place where it is necessary, and the rough box to the cemetery, also the vault, if that is used, on the vehicle furnished by the association.

SEC. 10. Said funeral director shall be paid by the treasurer of the association the stipulated and agreed compensation.

SEC. 11. All members should call the manager or secretary in case of a death.

SEC. 12. The cost of the funeral shall be as follows: The price of the casket and other supplies furnished, plus the amount paid the funeral director in accordance with the contract of the association with him for his services, plus the price for the use of the hearse, plus a surcharge sufficient to meet current operating expenses and fixed charges on borrowed capital; such surcharge to be determined by the board of directors and changed whenever necessary.

SEC. 13. All funeral expenses and costs shall be paid to the treasurer or the manager of this association.

SEC. 14. Payment for casket and services of this association shall be made within 2 weeks after funeral.

SEC. 15. Any member not able to pay for the funeral expenses, and desiring aid from the free burial fund, must notify the secretary before selecting the casket. The secretary shall then call a meeting of the board of directors to decide upon the merits of the application for such aid.

SEC. 16. Until the association secures a hearse of its own, the charge for the use of a hearse in connection with a funeral conducted by the association shall be the cost thereof to the association plus the surcharge above mentioned.

SEC. 17. Contributions to the different funds may be received by the association.

SEC. 18. Upon payment of the membership fee, a membership certificate shall be issued by the president and secretary.

SEC. 19. Extra charge for transportation of a body before the day of the funeral will be made at cost to the association, plus the surcharge above mentioned.

Appendix E.—Typical Bylaws of a Cooperative Health Association

Bylaws of Cooperative Health Association of —, Inc.

ARTICLE I.—*Purposes*

SECTION 1. The purposes and objects of this association shall be to further the principles of consumer cooperation as applied to medical services; to study and spread the knowledge of health and preventive medicine; in behalf of the members, to arrange for the services of physicians and dentists duly licensed to practice their professions, as independent contractors, and for services incidental thereto and necessary in connection therewith, to the end that the health of the members may be preserved, protected, and improved.

ARTICLE II.—*Membership*

SECTION 1. *Eligibility.*—Any person or nonprofit organization subscribing to the purposes of the association and complying with the rules and regulations of the association shall be eligible for membership, *Provided, however,* that such rules and regulations shall not deny membership to any person because of race, religion, or political convictions.

SEC. 2. *Admission.*—The board of directors shall establish such rules and regulations governing admission to membership as it may from time to time deem advisable.

SEC. 3. *Termination.*—Membership shall automatically terminate if the dues provided for in article III are not paid within 60 days after their due date. Such members can be reinstated only upon action by the board of directors.

SEC. 4. *Expulsion.*—The board of directors for just and reasonable cause, may expel from membership, after not less than fifteen (15) days' notice and opportunity for hearing before the board of directors any person who, in the opinion of said board of directors, shall have abused the privilege of his membership or is otherwise guilty of wrongful conduct detrimental to the association or its membership. The board of directors, after hearing as hereinbefore provided, shall be the sole judge of whether the conduct in question warrants expulsion from membership. Membership dues shall end upon expulsion.

ARTICLE III.—*Fees and Dues*

SECTION 1. *Membership fee.*—Every member shall be required to pay a membership fee of \$10 which shall be paid at the rate of not less than \$1 per month. The first installment shall be paid not later than the due date of the member's first monthly dues following the adoption of this amendment.

Upon full payment of the membership fee a suitable certificate shall be issued to the member.

Such certificate may be transferred to another person only upon approval by the board of directors and on the books of the association.

The proceeds of membership fees shall, insofar as possible, be used only for purchase and maintenance of equipment and other property.

SEC. 2. *Application fee.*—Any person desiring to become a member shall make payment of an application fee of \$5, plus \$1 for each dependent with respect to whom he desires to have services secured and shall fill out an application on the prescribed blank or blanks. If, after review of application and medical examination of all the persons on whose behalf services are requested, the application is not accepted, this fee shall be returned, unless the person applying is otherwise eligible for membership and desires to become a member under conditions stated in the next subsection.

SEC. 3. *Dues.*—In addition to the above fees each member shall pay monthly dues for himself and his dependents in such amount as the board of directors, with the approval of the membership, shall determine.

ARTICLE IV.—*Membership Meetings*

SECTION 1. *Annual meetings.*—The annual membership meeting shall be held in ----- of each year.

SEC. 2. *Special meetings.*—Special membership meetings shall be called by the secretary upon resolution of the board or upon petition of 5 percent of the voting members. The petition shall state the purpose of the special meeting and may fix a period of 2 weeks during which the meeting may be held, *Provided, however,* That the petition be delivered to the secretary not less than 1 week before the designated period.

SEC. 3. *Quorum.*—At any regular or special meeting a quorum shall consist of 10 percent of the voting members, except that any membership meeting at which a quorum is not present may be adjourned for from 7 to 14 days, and the secretary of the board within 3 days shall give notice to all voting members of the adjourned meeting. At the reconvened meeting a quorum shall consist of 5 percent of the voting members.

SEC. 4. *Powers of meetings.*—At a membership meeting declarative resolutions may be adopted, and instructions may be issued to the board, provided they do not abridge powers specifically granted to the board by these bylaws.

At a special membership meeting no business may be transacted other than that stated as the purpose of the meeting, without the unanimous consent of the members present.

SEC. 5. *Voting rights.*—Each member shall be entitled to one vote only, cast in person or by mail, and there shall be no voting by proxy.

If one-fourth of the members voting on a motion to that effect so desire, a vote shall be by secret ballot.

ARTICLE V.—*Directors and Officers*

SECTION 1. *Directors.*—The management of the association shall be vested in a board of directors of not less than 9 nor more than 18, who shall be elected by the membership except as provided by section 3 of this article. Any change in the number of directors shall require a two-thirds vote of the entire board.

Approximately two-thirds of the total number of directors shall be elected each year, except for the first annual election. At the first annual election, the third receiving the highest plurality vote shall hold office for 2 years, and the others for 1 year. In case of tie votes the terms of office shall be decided by lot.

Directors shall hold office until their successors have been elected and shall have entered upon the discharge of their duties.

No director shall receive compensation for services to the association except with the concurring vote of two-thirds of the remaining directors. Such compensation may be given only where a director is called upon to perform a service to the association in addition to his services as director.

SEC. 2. *Vacancies.*—Any director of this association who, having been duly notified, fails to attend four regular consecutive board meetings, without excuse satisfactory to the board, shall thereby forfeit his membership thereon, and the position shall thereupon be deemed vacant.

SEC. 3. *Duties of directors.*—The directors shall administer all business carried on by the association, under the direction and control of any special or regular meeting of the members. They shall arrange an impartial audit by a certified public accountant of the books of the association at least once a year, and shall issue a financial statement to the membership. They shall also issue annually to the membership a full report of its work during the year and of the progress and condition of the association.

The board may create advisory committees composed of individuals interested in one or more phases of the work of the association.

SEC. 4. *Officers.*—The officers shall be president, vice president, secretary, treasurer and such others as the board may deem necessary. The president, vice president, and secretary shall be appointed by the board of directors from their number at the first regular board meeting following the annual election. All officers shall hold office at the discretion of the board.

If the treasurer is not a member of the board he may have a voice but no vote at board meetings.

SEC. 5. *Duties of officers.*—The officers shall perform the duties usually appertaining to such offices and such other duties as may be delegated to them by these bylaws or by the board.

SEC. 6. *Bonds.*—All officers and employees handling funds of the association shall be bonded.

ARTICLE VI.—*Medical Arrangements*

SECTION 1. The board of directors may contract for and in behalf of the members of this association with physicians and dentists duly licensed to practice their profession who shall render as independent contractors such service to the members as may be provided in such contract.

SEC. 2. The board of directors may arrange for and in behalf of the members of this association for hospital, laboratory, and other services incidental to the services of physicians and dentists.

SEC. 3. The board of directors shall in no way supervise, regulate, or intervene in the practice of medicine by any physician or dentist with whom it contracts for the care of members nor shall it in any way supervise, regulate, or intervene in the usual professional relationship between such physician or dentist and his patient-member, and every such contract entered into by and between a physician or dentist and the association shall contain a covenant to this effect.

ARTICLE VII.—*Amendments*

SECTION 1. *Initiation.*—Amendments may be initiated by the board or by members at a meeting, or by a petition signed by 5 percent of the voting members.

SEC. 2. *Board action.*—The board shall consider the proposed amendment and make recommendation to the membership.

SEC. 3. *Passage.*—The proposed amendment shall be acted upon at a membership meeting, *Provided*, That a notice of the proposed amendment and of the board's recommendation shall have been given to the members. If approved by the board, the amendment may be passed by a majority vote of the membership meeting but if disapproved by the board, a two-thirds vote of the membership meeting will be required.

SEC. 4. *Change in organization.*—When the membership reaches 1,000, the board shall prepare and submit to the membership a plan providing for delegated representation through sectional meetings.

Appendix F.—Citations of Consumers' Cooperative Laws

- Alabama*.—Code, 1940, title 10, article 9, section 168
Alaska.—Compiled Laws, 1933, title 2, chapter 11, article 7, sections 991 to 998.
Arkansas.—Statutes, 1937, sections 2262 to 2285.
California.—Acts of 1939, chapter 808 (Civil Code, Part II, Division First; title XXV), as amended by Acts of 1941, chapters 1216, 1277; 1945, chapter 925.
Colorado.—Statutes, 1935 (Michie), chapter 41, sections 210 to 214.
Connecticut.—General Statutes, revision of 1930, title 35, chapter 193, sections 3508 to 3517, as amended by revision of 1945, chapter 193, section 736h.
District of Columbia.—Public Act No. 642, 76th Congress, 3d session, chapter 397.
Florida.—Statutes, 1941, section 611.38, as amended by Acts of 1941, p. 136.
Idaho.—Code, 1949, title 30, chapter 10.
Illinois.—Revised Statutes (Smith-Hurd), 1943, chapter 32, sections 305 to 331.
Indiana.—(Cooperative law of Indiana, Statutes, 1926, sections 5282 to 5288, was repealed in 1935.)
Iowa.—Code, 1939, chapter 390.1, sections 8512-01 to 8512-60.
Kansas.—General Statutes, 1935, chapter 17, article 15, as amended by Acts of 1935, chapter 157, section 1.
Kentucky.—Revised Statutes, 1948 (2d ed.), chapter 272.
Maine.—Revised Statutes, 1944, chapter 253, pp. 278-286.
Massachusetts.—General Laws (Ter. Ed.), 1932, chapter 157, as amended by Acts of 1949, chapter 378.
Michigan.—Compiled Laws, 1948, sections 450.98 to 450.117, as amended by Acts of 1949, No. 232.
Minnesota.—Statutes; 1941, chapter 308, as amended by Acts of 1943, chapters 304, 317, 318, 438; 1945, chapters 205, 459; 1947, chapters 61, 364; 1949, chapter 199.
Missouri.—Revised Statutes, 1939, sections 14406 to 14424.
Montana.—Revised Code, 1935, sections 6375 to 6396.
Nebraska.—Revised Statutes, 1943, sections 21-1301 to 21-1306.
Nevada.—Compiled Laws, 1929, 1931-1941 Supplement, sections 1575 to 1583, as amended by Acts of 1941, chapter 138; 1949, chapter 312.
New Jersey.—Revised Statutes, 1937, chapter 34.
New Mexico.—Statutes, 1941, sections 54-1401 to 54-1445.
New York.—Cahill's Consolidated Laws, 1930, as amended by supplement 1931-1935, chapter 10-a and Acts of 1937, chapter 172; 1938, chapter 458; 1946, chapters 787, 800.
North Carolina.—General Statutes, 1943, division X, chapter 54, subdivision IV, article 16.
North Dakota.—Revised Code, 1943, chapter 10-15, as amended by Acts of 1945, chapter 152.
Ohio.—Code, 1940 (Baldwin's Throckmorton), sections 10185 and 10186.
Oklahoma.—Statutes, 1941, title 18, sections 421 to 436.
Oregon.—Compiled Laws, 1940, chapter 77, as amended by Acts of 1941, chapter 219; 1943, chapter 52; 1947, chapter 107.
Pennsylvania.—Purdon's Pennsylvania Statutes, 1936, title 14, chapter 1, sections 1 to 28, and chapter 4, sections 191 to 193.
Rhode Island.—Acts of 1947, chapter 1976, sections 1 to 35.
South Carolina.—Code, 1942, chapter 158, article 1, sections 8137 to 8149.
South Dakota.—Compiled Laws, 1939, chapter 11.11, as amended by Acts of 1945, chapter 29; 1947, chapter 34; 1949, chapter 23.
Tennessee.—Code, 1932, section 4146 (10).
Vermont.—Public Laws, 1933, chapter 241, as amended by Acts of 1936, No. 13; 1937, No. 164; 1941, No. 142; 1947, Nos. 104, 106.
Virginia.—Code, 1942, chapter 148, sections 3855 and 3855a.
Washington.—Remington's Revised Statutes, 1931, sections 3904 to 3923, as amended by Acts of 1943, chapter 99; 1947, chapter 37.
Wisconsin.—Statutes, 1943, chapter 185. Cooperative associations, sections 185.01 to 185.24.
Wyoming.—(Cooperative statute, Compiled Statutes, 1920, sections 5119 to 5134, was repealed in 1931.)

Appendix G.—Consumers' Cooperative Act of the District of Columbia

Following is the complete text of the Consumers' Cooperative Act of the District of Columbia (Pub. No. 642, 76th Cong., 3d session, ch. 397):

ARTICLE I.—*Definitions*

SECTION 1. *Definitions.*—In this act unless the subject matter requires otherwise—

(1) "Association" means a group enterprise legally incorporated under this act, and shall be deemed to be a nonprofit corporation.

(2) "Member" means not only a member in a nonshare association but also a member in a share association.

(3) "Net savings" means the total income of an association minus the costs of operation

(4) "Savings returns" means the amount returned to the patrons in proportion to their patronage or otherwise in accordance with the provisions of section 31 herein.

(5) "Cooperative basis" as applied to any incorporated or unincorporated group referred to in sections 4 (7), 13, 23, 37, 40, and 41 herein means—

(a) that each member has one vote and only one vote, except as may be altered in the articles or bylaws by provisions for voting by member organizations;

(b) that the maximum rate at which any return is paid on share or membership capital is limited to not more than 8 per centum per annum;

(c) that the net savings after payment, if any, of said limited return on capital and after making provision for such separate funds as may be required or specifically permitted by statute, articles, or bylaws, or allocated or distributed to member patrons, or to all patrons, in proportion to their patronage; or retained by the enterprise, for the actual or potential expansion of its services or the reduction of its charges to the patrons, or for other purposes not inconsistent with its nonprofit character.

ARTICLE II.—*Who May Incorporate; Purposes and Powers of Associations*

SEC. 2. *Who may incorporate.*—Any five or more natural persons or two or more associations may incorporate in the District of Columbia under this act.

SEC. 3. *Purposes.*—An association may be incorporated under this act to engage in any one or more lawful mode or modes of acquiring, producing, building, operating, manufacturing, furnishing, exchanging, or distributing any type or types of property, commodities, goods, or services for the primary and mutual benefit of the patrons of the association (or their patrons, if any) as ultimate consumers.

SEC. 4. *Powers.*—An association shall have the capacity to act possessed by natural persons and the authority to do anything required or permitted by this act and also—

(1) To continue as a corporation for the time specified in its articles;

(2) To have a corporate seal and to alter the same at pleasure;

(3) To sue and be sued in its corporate name;

(4) To make bylaws for the government and regulation of its affairs;

(5) To acquire, own, hold, sell, lease, pledge, mortgage, or otherwise dispose of any property incident to its purposes and activities;

(6) To own and hold membership in and share capital of other associations and any other corporations, and any types of bonds or other obligations; and while the owner thereof to exercise all the rights of ownership;

(7) To borrow money, contract debts, and make contracts, including agreements of mutual aid or federation with other associations, other groups organized on a cooperative basis, and other nonprofit groups;

- (8) To conduct its affairs within or without the District of Columbia;
- (9) To exercise in addition any power granted to ordinary business corporations, save those powers inconsistent with this act;
- (10) To exercise all powers not inconsistent with this act which may be necessary, convenient, or expedient for the accomplishment of its purposes, and, to that end, the foregoing enumeration of powers shall not be deemed exclusive.

ARTICLE III.—*Articles of Incorporation*

SEC. 5. *Articles of incorporation; contents.*—Articles of incorporation shall be signed by each of the incorporators and acknowledged by at least three of them if natural persons, and by the presidents and secretaries, if associations, before an officer authorized to take acknowledgments.

Within the limitations of this act the articles shall contain—

- (1) A statement as to the purpose or purposes for which the association is formed;
- (2) The name of the association which shall include the word "cooperative";
- (3) The term of existence of the association which may be perpetual;
- (4) The location and address of the principal office of the association;
- (5) The names and addresses of the incorporators of the association;
- (6) The names and addresses of the directors who shall manage the affairs of the association for the first year, unless sooner changed by the members;
- (7) A statement of whether the association is organized with or without shares, and the number of shares or memberships subscribed for;
- (8) If organized with shares, a statement of the amount of authorized capital, the number and types of shares and the par value thereof which may be placed at any figure, and the rights, preferences, and restrictions of each type of share;
- (9) The minimum number or value of shares which must be owned in order to qualify for membership; if organized without shares, a statement of whether the property rights of members shall be equal or unequal, and if unequal, the rule by which their rights shall be determined;
- (10) The maximum amount or percentage of capital which may be owned or controlled by any member; including a statement of whether or not each member shall be limited to a single share, and whether such single shares shall be of various par values;
- (11) The method by which any surplus, upon dissolution of the association, shall be distributed; in conformity with the requirements of section 36 herein for division of such surplus.

The articles may also contain any other provisions not inconsistent with law or with this act, for the conduct of the association's affairs.

SEC. 6. *Same; filing; recordation; fees; effect of certificate.*—The articles shall be delivered to the recorder of deeds. If he finds that the articles conform to law, he shall file the same upon the payment of a fee of \$5, and he shall record the same, upon payment of a fee of \$1. Said fees shall be in lieu of any other fees or payments provided in section 552 of the act entitled "An act to establish a code of law for the District of Columbia," approved March 3, 1901, or in any other section of the code of laws of the District of Columbia, to be paid for at the time of said filing; and the last paragraph of section 552 of such act of March 3, 1901, shall have no application to associations organized under this act. After such filing and recording, he shall issue a certificate of incorporation, whereupon the corporate existence shall begin. Such certificate shall be conclusive evidence of the fact that the corporation has been duly incorporated. This shall not preclude the institution of quo warranto proceedings under sections 1538 through 1548, both inclusive, of the act entitled "An act to establish a code of law for the District of Columbia," approved March 3, 1901. The filing or recording of the articles or of amendments thereto, or of any other papers pursuant to this act is required for the purpose of affording all persons the opportunity of acquiring knowledge

of the contents thereof, but no person or incorporated or unincorporated group dealing with the association shall be charged with constructive notice of the contents of any such articles or papers by reason of such filing or recording.

SEC. 7. *Same; amendments; fee.*—Amendments to the articles may be proposed by a two-thirds vote of the board of directors, or by petition of 10 per centum of the association's members. Notice of the meeting to consider such amendment shall be sent by the secretary at least 30 days in advance thereof to each member at his last-known address, accompanied by the full text of the proposal and by that part of the articles to be amended. Two-thirds of the members voting may adopt said amendment and when verified by the president and secretary, it shall be filed and recorded with the recorder of deeds within 30 days of its adoption, and a fee of \$1 shall be paid.

If the amendment is to alter the preferences of outstanding shares of any type, or to authorize the issuance of shares having preferences superior to outstanding shares of any type, the vote of two-thirds of the members owning such outstanding shares affected by the change shall also be required for the adoption of the amendment; if the amendment is to alter the rule by which members' property rights in a nonshare association are determined, a vote of two-thirds of the entire membership shall be required.

The amount of capital and the number and par value of shares may be diminished or increased by amendment of the articles, but the capital shall not be diminished below the amount of paid-up capital existing at the time of amendment.

ARTICLE IV.—*Bylaws*

SEC. 8. *Adoption, amendment, or repeal of bylaws.*—Bylaws shall be adopted, amended, or repealed by at least a majority vote of the members voting.

SEC. 9. *Contents of bylaws.*—The bylaws may, within the limitations of this act provide for—

(1) The method and terms of admission to membership and the disposal of members' interests on cessation of membership for any reason;

(2) The time, place, and manner of calling and conducting meetings;

(3) The number or percentage of the members constituting a quorum;

(4) The number, qualifications, powers, duties, term of office, and manner, time, and vote for election, of directors and officers; and the division or classification, if any, of directors to provide for rotating or overlapping terms;

(5) The compensation, if any, of the directors, and the number of directors necessary to constitute a quorum;

(6) The method of distributing the net savings;

(7) The various discretionary provisions of this act as well as other provisions incident to the purposes and activities of the association.

ARTICLE V.—*Meetings*

SEC. 10. *Regular and special meetings.*—Regular meetings of members shall be held as prescribed in the bylaws, but shall be held at least once a year. Special meetings may be demanded by a majority vote of the directors or by written petition of at least one-tenth of the membership, in which case it shall be the duty of the secretary to call such meeting to take place within 30 days after such demand. Regular or special meetings, including meetings by units as hereinafter provided, may be held within or without the District of Columbia as the articles may prescribe.

SEC. 11. *Notice of meetings.*—The secretary shall give notice of the time and place of meetings by sending a notice thereof to each member at his last-known address not less than the number of days in advance of the meeting specified in the bylaws. In case of a special meeting the notice shall specify the purpose for which such meeting is called.

SEC. 12. *Meetings by units of the membership.*—The articles or bylaws may provide

for the holding of meetings by units of the membership and may provide for a method of transmitting the votes there cast to the central meeting, or for a method of representation by the election of delegates to the central meeting; or for a combination of both such methods.

ARTICLE VI.—*Voting*

SEC. 13. *One member—one vote.*—Each member of an association shall have one and only one vote, except that where an association includes among its members any number of other associations or groups organized on a cooperative basis the voting rights of such member associations or groups may be as prescribed in the articles or bylaws.

No voting agreement or other device to evade the one-member-one-vote rule shall be enforceable at law or in equity.

SEC. 14. *No proxy.*—No member shall be permitted to vote by proxy.

SEC. 15. *Voting by mail.*—The articles or bylaws may provide for either or both of the following types of voting by mail:

(1) That the secretary shall send to the members a copy of any proposal scheduled to be offered at a meeting, together with the notice of said meeting, and that the mail votes cast by the members shall be counted together with those cast at the meeting if such mail votes are returned to the association within a specified number of days;

(2) That the secretary shall send to any member absent from a meeting an exact copy of the proposal acted upon at the meeting, and that the mail vote of the member upon such proposal, if returned within a specified number of days, shall be counted together with the votes cast at said meeting.

The articles or bylaws may also determine whether and to what extent mail votes shall be counted in computing a quorum.

SEC. 16. *Application of voting provisions in this act to voting by mail.*—If an association has provided for voting by mail, any provision of this act referring to votes cast by the members shall be construed to include the votes cast by mail.

SEC. 17. *Application of voting provisions in this act to voting by delegates.*—If an association has provided for voting by delegates, any provision of this act referring to votes cast by the members shall apply to votes cast by delegates; but this shall not permit delegates to vote by mail.

ARTICLE VII.—*Directors and Officers*

SEC. 18. *Directors.*—An association shall be managed by a board of not less than five directors, who shall be elected for a term fixed in the bylaws not to exceed 3 years, by and from the members of the association and shall hold office until their successors are elected, or until removed. Vacancies in the board of directors, otherwise than by removal or expiration of term, shall be filled in such manner as the bylaws may provide.

The bylaws may provide for a method of apportioning the number of directors among the units into which the association may be divided, and for the election of directors by the respective units to which they are apportioned.

An executive committee of the board of directors may be elected in such manner and with such powers and duties as the articles or bylaws may prescribe.

Meetings of directors and of the executive committee may be held within or without the District of Columbia.

SEC. 19. *Officers.*—The officers of an association shall include a president, one or more vice presidents, a secretary and a treasurer, or a secretary-treasurer. The officers shall be elected annually by the directors unless the bylaws otherwise provide. The president and at least one vice president must be directors, but no other officer need be a director.

SEC. 20. *Removal of directors and officers.*—A director or officer may be removed with

or without cause, by a vote of two-thirds of the members voting at a regular or special meeting. The director or officer involved shall have an opportunity to be heard at said meeting. A vacancy caused by any such removal shall be filled by the vote provided in the bylaws for election of directors.

SEC. 21. *Referendum.*—The articles or bylaws may provide that within a specified period of time any action taken by the directors must be referred to the members for approval or disapproval if demanded by petition of at least 10 per centum of all the members or by vote of at least a majority of the directors: *Provided, however,* That the rights of third parties which have vested between the time of such action and such referendum shall not be impaired thereby.

ARTICLE VIII.—*Shares and Membership*

SEC. 22. *Limitations upon the return on capital.*—The return upon capital shall not exceed 6 per centum per annum upon the paid-up capital and shall be noncumulative.

Total return upon capital distributed for any single period shall not exceed 50 per centum of the net savings for that period.

SEC. 23. *Eligibility and admission to membership.*—Any natural person, association, incorporated or unincorporated group organized on a cooperative basis, or any non-profit group, shall be eligible for membership in an association if it has met the qualifications for eligibility, if any, stated in the articles or bylaws and shall be deemed a member upon payment in full for the par value of the minimum amount of share or membership capital stated in the articles as necessary to qualify for membership.

SEC. 24. *Subscribers.*—Any natural person or group eligible for membership and legally obligated to purchase a share or shares of, or membership in, an association shall be deemed a subscriber. The articles or bylaws may determine whether, and the conditions under which, any voting rights or other rights of membership shall be granted to subscribers.

SEC. 25. *Share and membership certificates; issuance and contents.*—No certificate for share or membership capital shall be issued until the par value thereof has been paid for in full. There shall be printed upon each certificate issued by an association a full or condensed statement of the requirements of sections 13, 14, and 26 herein.

SEC. 26. *Transfer of shares and membership; withdrawal.*—If a member desires to withdraw from the association or dispose of any or all of his holdings therein, the directors shall have the power to purchase such holdings by paying him the par value of any or all of the holdings offered. The directors shall then reissue or cancel the same. A vote of the majority of the members voting at a regular or special meeting may order the directors to exercise this power to purchase.

If the association fails, within 60 days of the original offer, to purchase all or any part of the holdings offered, the member may dispose of the unpurchased interest elsewhere, subject to the approval of the transferee by a majority vote of the directors. Any would-be transferee not approved by the directors may appeal to the members at their first regular or special meeting thereafter, and the action of the meeting shall be final. If such transferee is not approved, the directors shall exercise their power to purchase, if and when such purchase can be made without jeopardizing the solvency of the association.

SEC. 27. *Share and membership certificates; recall.*—The bylaws may give the directors the power to use the reserve funds to recall, at par value, the holdings of any member in excess of the amount requisite for membership; and may also provide that if any member has failed to patronize the association during a period of time specified in the bylaws, the directors may use the reserve funds to recall all his holdings and thereupon he shall cease to be a member of the association. When so recalled, such certificates of share or membership capital shall be either reissued or canceled.

SEC. 28. *Share and membership certificates; attachment.*—The holdings of any member

of an association, to the extent of the minimum amount necessary for membership, but not to exceed \$50, shall be exempt from attachment, execution, or garnishment for the debts of the owner. If any holdings in excess of this amount are subjected to such liability, the directors of the association may either admit the purchase thereof to membership, or may purchase from him such holdings at par value.

SEC. 29. *Liability of members.*—Members shall not be jointly or severally liable for any debts of the association, nor shall a subscriber be so liable except to the extent of the unpaid amount on the shares or membership certificates subscribed by him. No subscriber shall be released from such liability by reason of any assignment of his interest in the shares or membership certificate, but shall remain jointly and severally liable with the assignee until the shares or certificates are fully paid up.

SEC. 30. *Expulsion.*—A member may be expelled by the vote of a majority of the members voting at a regular or special meeting. The member against whom the charges are to be preferred shall be informed thereof in writing at least ten days in advance of the meeting, and shall have an opportunity to be heard in person or by counsel at said meeting. On decision of the association to expel a member, the board of directors shall purchase the member's holdings at par value, if and when there are sufficient reserve funds.

ARTICLE IX.—*Apportionment of Net Savings*

SEC. 31. *Allocation and distribution of net savings.*—At least once a year the members and/or the directors, as the articles or bylaws may provide, shall apportion the net savings of the association in the following order:

(1) Not less than 10 per centum shall be placed in a reserve fund until such time as the fund shall equal at least 50 per centum of the paid-up capital; and such fund may be used in the general conduct of the business. The amounts apportioned to the reserve fund shall be allocated on the books of the association on a patronage basis, or in lieu thereof, the books and records of the association shall afford a means for doing so, in order that upon dissolution or earlier, if deemed advisable, such reserves may be returned to the patrons who have contributed the same, subject to the limitations of section 36 herein;

(2) A return upon capital, within the limitations of section 22, may be paid upon share capital, or, if the bylaws so provide, upon the membership capital certificates of a nonshare association; but such return upon capital may be paid only out of the surplus of the aggregate of the assets over the aggregate of the liabilities (including in the latter the amount of the capital stock) after deducting from such aggregate of the assets the amount by which such aggregate was increased by unrealized appreciation in value or revaluation of fixed assets;

(3) A portion of the remainder, as determined by the articles or bylaws, shall be allocated to an educational fund to be used in teaching cooperation, and a portion may also be allocated to funds for the general welfare of the members of the association;

(4) The remainder shall be allocated at the same uniform rate to all patrons of the association in proportion to their individual patronage: *Provided, That—*

(a) In the case of a member patron, his proportionate amount of savings returns shall be distributed to him unless he agrees that the association should credit the amount to his account toward the purchase of an additional share or shares, or additional membership capital;

(b) In the case of a subscriber patron, his proportionate amount of savings returns may, as the articles or bylaws provide, be distributed to him, or credited to his account until the amount of capital subscribed for has been fully paid;

(c) In the case of a nonmember patron, his proportionate amount of savings returns shall be set aside in a general fund for such patrons and shall be allocated to individual nonmember patrons only upon request and presentation of evidence of the amount of

their patronage. Any savings return so allocated shall be credited to such patron toward payment of the minimum amount of share or membership capital necessary for membership. When a sum equal to this amount has accumulated at any time within a period of time specified in the bylaws, such patron shall be deemed and become a member of the association if he so agrees or requests, and complies with any provisions in the bylaws for admission to membership. The certificates of shares or membership to which he is entitled shall then be issued to him;

(d) If within any periods of time specified in the articles or bylaws, (1) any subscriber has not accumulated and paid in the amount of capital subscribed for; or (2) any nonmember patron has not accumulated in his individual account the sum necessary for membership; or (3) any nonmember patron has accumulated the sum necessary for membership but neither requests nor agrees to become a member, or fails to comply with the provisions of the bylaws, if any, for admission to membership, then the amounts so accumulated or paid in and any part of the general fund for nonmember patrons which has not been allocated to individual nonmember patrons shall go to the educational fund and thereafter no member or other patron shall have any rights in said paid-in capital or accumulated savings returns as such: *Provided further*, That nothing in this section shall prevent an association under this act which is engaged in rendering services from disposing of the net savings from the rendering of such services in such manner as to lower the fees charged for services or otherwise to further the common benefit of the members: *And provided further*, That nothing in this section shall prevent an association from adopting a system whereby the payment of savings returns which would otherwise be distributed shall be deferred for a fixed period of months or years; nor from adopting a system whereby the savings returns distributed shall be partly in cash, partly in shares, such shares to be retired at a fixed future date, in the order of their serial number or date of issue.

ARTICLE X.—*Bonding; Bookkeeping; Reports*

SEC. 32. *Bonding*.—Every individual acting as officer or employee of an association and handling funds or securities amounting to \$1,000 or more, in any one year, shall be covered by an adequate bond as determined by the board of directors, and at the expense of the association; and the bylaws may also provide for the bonding of other employees or officers.

SEC. 33. *Books; auditing*.—To record its business operation, every association shall keep a set of books which shall be audited at the end of each fiscal year by an experienced bookkeeper or accountant, who shall not be an officer or director. Where the annual business amounts to less than \$10,000, the audit may be performed by an auditing committee of three, who shall not be directors, officers, or employees. A written report of the audit, including a statement of the amount of business transacted with members, and the amount transacted with nonmembers, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the association.

SEC. 34. *Annual report*.—Every association shall annually, within 60 days of the close of its operations for that year, make a report of its condition, sworn to by the president and secretary, which report shall be filed with the recorder of deeds. The report shall state—

(a) The name and principal address of the association.

(b) The names, addresses, occupations, and date of expiration of the terms of the officers and directors, and their compensation, if any.

(c) The amount and nature of its authorized, subscribed, and paid-in capital, the number of its shareholders, and the number admitted and withdrawn during the year, the par value of its shares and the rate at which any return upon capital has been paid. For nonshare associations the annual report shall state the total number of members,

the number admitted or withdrawn during the year, and the amount of membership fees received.

(d) The receipts, expenditures, assets, and liabilities of the association.

A copy of this report shall be kept on file at the principal office of the association.

Any person who shall subscribe or make oath to such report containing a materially false statement, known to such person to be false, shall upon conviction of such offense be punished by a fine of not less than \$25 nor more than \$200, or by imprisonment of not less than 30 days nor more than one year, or both such fine and imprisonment.

SEC. 35. *Notice of delinquent reports; mandamus.*—If an association fails to make such report within the required period of 60 days, the recorder of deeds shall within 60 days from the expiration of said period send such association a registered letter directed to its principal office, stating the delinquency and its consequences. If the association fails to file the report within 60 days from the mailing of such notice, any member of the association or the United States attorney for the District of Columbia may by petition for mandamus against the association and its proper officers compel such filing to be made, and in such case the court shall require the association or the officers at fault to pay all the expenses of the proceeding including counsel fees.

ARTICLE XI.—*Dissolution*

SEC. 36. *Dissolution.*—An association may, at any regular or special meeting legally called, be directed to dissolve by a vote of two-thirds of the entire membership. By a vote of a majority of the members voting, three of their number shall be designated as trustees, who shall, on behalf of the association and within a time fixed in their designation or within any extension thereof, liquidate its assets, and shall distribute them in the manner set forth in this section. A suit for involuntary dissolution of an association organized under this act may be instituted for the causes and prosecuted in the manner set forth in sections 786 through 791, both inclusive, and sections 794 through 797, both inclusive, of the act entitled "An act to establish a code of law for the District of Columbia," approved March 3, 1901: *Provided*, That any distribution of assets shall be in the manner set forth in this section. In case of any dissolution of an association, its assets shall be distributed in the following manner and order: (1) By paying its debts and expenses; (2) by returning to the members the par value of their shares or of their membership certificates, returning to the subscribers the amounts paid on their subscriptions, and returning to the patrons the amount of saving returns credited to their accounts toward the purchase of shares or membership certificates; and (3) by distributing any surplus in either or both of the following ways as the articles may provide—

(a) Among those patrons who have been members or subscribers at any time during the past 6 years, on the basis of their patronage during that period;

(b) As a gift to any consumers' cooperative association or other nonprofit enterprise which may be designated in the articles.

ARTICLE XII.—*Penalties*

SEC. 37. *Use of name "cooperative"; penalty.*—Only (1) associations organized under this act, (2) groups organized on a cooperative basis under any other law of the District of Columbia, and (3) foreign corporations operating on a cooperative basis and authorized to do business in the District of Columbia under this or any other law of the District of Columbia shall be entitled to use the term "cooperative," or any abbreviation or derivation thereof, as parts of their business names, or to represent themselves, in their advertising or otherwise, as conducting business on a cooperative basis.

Any person, firm, or corporation violating the above provision shall upon conviction of such offense be punished by a fine of not less than \$25 nor more than \$200, with an additional fine of not more than \$200 for each month during which a violation occurs

after the first month, or by imprisonment for not less than 30 days nor more than 1 year, or by both such fine and imprisonment. The district attorney of the United States for the District of Columbia, or any individual, or association, or group organized on a cooperative basis, may sue to enjoin an alleged violation of this section.

Should a court of competent jurisdiction decide that any person, firm, or corporation using the name "cooperative" prior to this act, and not organized on a cooperative basis, is entitled to continue in such use, any such business shall always place immediately after its name the words "does not comply with the Cooperative Association Law of the District of Columbia" in the same kind of type, and in letters not less than two-thirds as large, as those used in the term "cooperative."

SEC. 38. *Promotion expenses; limitations; penalty.*—An association shall not, directly or indirectly, use any of its funds, nor issue shares nor incur any indebtedness, for the payment of any compensation for the organization of the association except necessary legal fees; nor for the payment of any promotion expenses in excess of 5 per centum of the amount paid in for the shares or membership certificates involved in the promotion transaction. Any association's officer, director, or agent who gives, or any person, firm, corporation, or association which receives such promotion commission in violation of this section shall, upon conviction of such offense, be punished by a fine of not less than \$25, nor more than \$200, or by imprisonment for not less than 30 days nor more than 1 year, or by both such fine and imprisonment.

SEC. 39. *Spreading false reports; penalty.*—Any person, firm, corporation, or association which maliciously and knowingly spreads false reports about the management or finances of any association shall, upon conviction of such offense, be punished by a fine of not less than \$25 and not more than \$200, or by imprisonment for not less than 30 days nor more than 1 year, or by both such fine and imprisonment.

ARTICLE XIII.—*Relation to Other Laws*

SEC. 40. *Existing cooperative groups.*—Any group incorporated under another law of the District of Columbia and operating on a cooperative basis or any unincorporated group operating on such a basis in the District of Columbia may elect by a vote of two-thirds of the members voting to secure the benefits of and be bound by this act, and shall thereupon amend such of its articles and bylaws as are not in conformity with this act. A certified copy of the amended articles shall be filed and recorded with the recorder of deeds and a fee of \$5 shall be paid.

SEC. 41. *Foreign corporations and associations.*—A foreign corporation or association operating on a cooperative basis and complying with the applicable laws of the State wherein it is organized shall be entitled to do business in the District of Columbia as a foreign cooperative corporation or association.

SEC. 42. *Legality declared; not in restraint of trade.*—No association, or method or act thereof which complies with this act, shall be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

SEC. 43. *Laws not applicable.*—No law of the District of Columbia conflicting or inconsistent with any part of this act shall, to the extent of the conflict or inconsistency, be construed as applicable to associations formed hereunder; nor shall any law of the District of Columbia inappropriate to the purposes of such associations be so construed nor shall any of the provisions of sections 574 through 797, both inclusive, of the act entitled "An act to establish a code of law for the District of Columbia," approved March 3, 1901, be construed as applicable to associations formed hereunder, except as expressly stated in this act.

SEC. 44. *Taxation.*—Associations formed hereunder, and foreign corporations and associations admitted under section 41 to do business in the District of Columbia and entitled to the benefits of section 37, shall pay an annual license fee of \$10.

SEC. 45. *Separability; constitutionality.*—If any provision of this act or the application thereof to any person or circumstance shall be held unconstitutional or otherwise invalid for any reason, the validity of the remainder of this act and the application of such provision to other persons or circumstances shall not be affected thereby.

SEC. 46. The Congress reserves the right to alter, amend, or repeal this act, or any charter or certificate of incorporation made thereunder.

SEC. 47. *Short title.*—This act may be cited as the “District of Columbia Cooperative Association Act.”

Approved, June 19, 1940.

Appendix H.—Manager's Reports to Board of Directors

The following is suggested by one successful manager as constituting the kind and frequency of reports that the board has the right to expect from the manager:

In order to determine policies it is the responsibility of the board of directors, acting for the members which it represents, to supervise the business operation. Such supervision is in the form of guidance for management. The board must have a yardstick with which to measure the performance of management. It should not impose so many requirements on management, in the form of reports or other activities, that the emphasis on this type of detail is greater than on actively operating the business. The yardstick for control depends to some extent on the knowledge of the manager's ability as demonstrated by his performance with the co-op. It is never advisable to assume that a person is a good man just because some other co-op recommends him. A manager with a good personality all too often pulls the wool over the eyes of his board, which will swear by him even though he is not capable. In many cases he is a good politician or a willing errand boy for the members of the board, which in turn makes them feel important and they are very happy with such an agreeable manager. Any capable, conscientious board should expect the following: A quarterly budget; a monthly operating report; a quarterly operation report and balance sheet; and a semiannual auditor's report.

Quarterly Budget

The board should not ask for the impossible; if it is apparent that the association faces a loss it should be so budgeted. Then the board or a committee should work with management to remedy the situation. The board should not be so critical that the manager presents a goal (what he wishes he can do) rather than a budget which he considers a reasonable expectancy.

Monthly Operating Report

This should show sales, percentage in dollar margin, estimated expenses, and estimated results for the month compared with a similar month for the previous year. This should be scrutinized by the board with the following in mind:

1. How do sales compare with a year ago, considering market conditions?
2. Did each department, groceries, meats and produce, do its proper percentage of the total sales?
3. Are the margins sound in each department? (This does not necessarily mean are they high enough; but rather do they compare favorably with that of businesses of similar size in that area.)
4. Is the man-hour production satisfactory in all departments? (Man-hour production is a much sounder way of determining the efficiency of the store operation than wage percentage, because of the varying wage scales in different areas.)

Quarterly Operation Report and Balance Sheet

The quarterly report is an accurate and final report of the quarter's operations. This should be compared with the budget which had been submitted in advance of the quarter. It should also be compared with the performance of the same period for the preceding year. The same thought should be in mind in checking both quarterly report and tentative monthly report. I use the expression "tentative" because it should not be necessary to go through the work of preparing a complete operating report and balance sheet every month. Therefore, the monthly reports are complete only as far

as actual sales and margins and salaries are concerned, but the majority of expenses are estimated. As careful consideration should be given to expected high margins and savings as to low margins and losses. If co-ops are to operate in the best interest of consumers, the goal should be a sound operation at the lowest possible competitive prices rather than abnormally large earnings.

At no time should the board of directors or management lose sight of the fact that consumer co-ops are but a small part of the food industry. It is impossible to operate small food stores and yet handle the complete line of merchandise which the average housewife wants. In addition to nationally advertised merchandise, we must have a brand of merchandise (co-op) with either a quality or price advantage to the consumer. In order to compete successfully in this highly competitive field, we must be able to convince our customers they are getting daily advantages by trading in our co-op food store. Just looking forward to a possible patronage refund at the end of the year is not enough. Furthermore, we must operate the kind of a store in which customers like to shop. They must be clean, well-equipped, well-stocked and operated by a *friendly staff*.

Unfortunately many boards of directors are made up of people who like to feel that they are in a position of authority as members of a co-op board, but they are not willing to assume any responsibility beyond that of attending meetings where there are lengthy discussions, many resolutions passed which indicate good intentions, a limited amount of time given to a manager's report and then each goes home and forgets about it until the next meeting. Among the most neglected responsibilities of the average board of directors are the following:

1. Inadequate capitalization to provide proper facilities for a sound operation.
2. Failure to maintain a continuous promotional program.
3. Inability to interpret and evaluate a balance sheet correctly.
4. Failure to check up on experience of other cooperators, with the result that most cooperatives go through the same growing pains, suffer losses that could have been avoided by using information on successful and unsuccessful cooperatives which is a matter of record.
5. Unwillingness to pay the prevailing wage scale for the type of personnel needed for a sound food business.
6. Having secured good management, failure to give it full authority to conduct the business: in other words "playing store."
7. Lack of inventory control.

Appendix I.—Sources of Cooperative Information

Cooperative sources.—The Cooperative League of the USA, 343 S. Dearborn Street, Chicago 4, Ill., stands in the position of a central clearing house for the cooperatives in the United States. It is the national federation of consumers' cooperatives in this country, and is a member of the International Cooperative Alliance in London. To it are affiliated not only the central organizations (i. e., the regional wholesales) in the distributive cooperative movement but also a number of federations in specialized fields of cooperation. The League promotes education in cooperation, gives advice on procedures, and unites the associations for their mutual advancement. It publishes pamphlets on various aspects and problems of cooperation, as well as films on cooperative subjects. One department has issued a Primer of Bookkeeping for Cooperatives. Another, Rochdale Institute, is a training school for cooperative employees and educators for the cooperative movement.

Information and much practical advice on the local business problems of cooperatives may be obtained from the cooperative wholesales (listed in appendix A). Most of these are members of the League, and many of them have active educational departments.

Among the national federations associated with the Cooperative League are the Cooperative Health Federation of America, Cooperative Finance Association of America, Cooperative Society for Recreational Education, and National Cooperatives, Inc., all of 343 S. Dearborn Street, Chicago; others are the National Association of Housing Cooperatives, 726 Jackson Place N. W., Washington, D. C., and the North American Student Cooperative League, Lawrence, Kans. CUNA Supply Cooperative is a full member and the Credit Union National Association is a fraternal member of the League; both are in Madison, Wis.

The Credit Union National Association, Filene House, Madison 1, Wis., is the national organization for the credit union movement in the United States. Its members are the State Credit Union Leagues.

Governmental sources.—The Bureau of Labor Statistics of the U. S. Department of Labor has, in addition to this bulletin, issued another (No. 858) dealing with the organization of cooperative housing associations. It issues an annual statistical report on the operations of consumers' cooperatives of the various kinds; and has also published studies of special types of cooperatives (housing associations, burial associations, student cooperatives, etc.). These publications are free from the Bureau as long as its supply lasts; thereafter they may be obtained for nominal sums from the Superintendent of Documents, Government Printing Office, Washington 25, D. C. Information on special points or problems may also be obtained from the Bureau.

The Bureau of Federal Credit Unions, Social Security Agency, can supply information and assistance in the organization of credit unions. The Bureau has charge of the administration of the Federal Credit Union Law.

The Rural Electrification Administration, U. S. Department of Agriculture, will furnish bylaws and advice to rural groups wishing to organize associations for the supply of electric current or telephone service. It makes loans to approved organizations for the construction of plant, erection of lines, etc.

The Farm Credit Administration has specialists in farmers' cooperation and issues many statistical and other reports on various phases of that movement.

Appendix J.—Directory of Cooperative Wholesales

In the following table are listed the various cooperative wholesale associations, together with the commodities handled by each, and the other services rendered by them.

Lines of goods handled by cooperative wholesale associations, and other services provided

Name and address of wholesale	Goods handled ¹	Other services
<i>Interregional</i>		
Illinois: National Cooperatives, Inc., 343 South Dearborn St., Chicago 4.	Makes master contracts for groceries, electrical appliances, household supplies; auto tires and accessories; hardware, farm supplies. <i>Manufactures:</i> Hot-water heaters, milking machines and coolers.	Printing (agency).
<i>Regional</i>		
California: Associated Cooperatives, 351 2d St., Oakland 7.	Groceries (including produce); household supplies, cosmetics, electrical appliances, hardware, petroleum products, auto tires and accessories, paint, lumber and building material, farm supplies.	Educational department, insurance (agency), auditing and accounting.
Idaho: Idaho Grange Wholesale, Box 368, Shoshone.	Fuel oil, other petroleum products, auto tires and accessories, hardware, farm supplies and machinery.	Trucking.
Illinois: Central States Cooperatives, Inc., 1119 Belvidere St., Waukegan.	Groceries (including produce), household goods, motor oil, auto tires and accessories, electrical appliances, paint, farm supplies.	Educational department, auditing, accounting.
Indiana: Indiana Farm Bureau Cooperative Association, 47 South Pennsylvania St., Indianapolis 9.	Bulk-plant equipment, fuel, petroleum products, auto tires and accessories, electrical appliances, lumber and building material, plumbing supplies, farm supplies and machinery. <i>Manufactures:</i> Petroleum products, (including production of crude oil) fertilizer, serum, meat products, printing, chicks.	Auditing, insurance (agency), auto and appliance repair, credit and finance, trucking, management, marketing.
Iowa: Cooperative Service Co., Box 636, Waterloo.	Petroleum products, paint, bottled gas, stoves, household and farm supplies.	
Michigan:		
Farm Bureau Services, 221 North Cedar St., Lansing 4.	Fuel, dairy products, lumber and building material, farm supplies and machinery. <i>Manufactures:</i> Fertilizer, insecticides.	Management, transport, millwright.
Farmers Petroleum Cooperative, 221 North Cedar St., Lansing 4.	Fuel oil, other petroleum products, auto tires and accessories, bulk-plant equipment.	
Minnesota:		
Midland Cooperative Wholesale, 739 Johnson St. N.E., Minneapolis 13.	Groceries, fuel, petroleum products, auto tires and accessories, electrical appliances, lumber and building material, paint, steel and wire, bulk-station equipment, rope, farm supplies and machinery. <i>Manufactures:</i> Lubricating oil, petroleum products (including production of crude oil).	Educational department, merchandising advice, trucking, appliance repair.
Farmers Union Central Exchange, 1200 North Concord St., South St. Paul.	Fuel oil and other petroleum products, auto tires and accessories, electrical appliances, hardware, building material, paint, farm supplies and machinery, oil-station equipment. <i>Manufactures:</i> Lubricating oil, petroleum products (including production of crude oil), tractors.	
Minnesota Farm Bureau Service Co., 101 E. Fairfield St., St. Paul 1.	Fuel oil, other petroleum products, auto tires and accessories, paint, farm supplies. <i>Manufactures:</i> Feed, fertilizer.	
Missouri:		
Farm Bureau Service Co. of Missouri, Box 658, Jefferson City.	Fuel oil, other petroleum products, auto tires and accessories, paint, farm supplies.	
Consumers Cooperative Association, 318 E. 10th St., Kansas City 13.	Groceries, petroleum products, auto tires and accessories, electrical appliances, lumber and building material, paint, roofing, farm supplies and machinery, service-station equipment, propane gas and equipment. <i>Manufactures:</i> Lubricating oil, petroleum products (including production of crude oil), grease, paint, insecticides, lumber, canned goods, fertilizer, feed, printing.	Educational and organizational department, speakers' bureau, auditing and business advisory service, manager training, credit and finance, insurance (agency), trucking.

See footnote at end of table.

Lines of goods handled by cooperative wholesale associations, and other services provided—Continued

Name and address of wholesaler	Goods handled ¹	Other services
<i>Regional—Continued</i>		
<i>Missouri—Continued</i>		
Producers Grocery Co., 425 W. Phelps, Springfield.	Groceries.	
Nebraska: Farmers Union State Exchange, 39th and Leavenworth Sts., Omaha 5.	Groceries, meat, dairy products, clothing, shoes, drygoods, household supplies, fuel, petroleum products, auto tires and accessories, butane gas and equipment, hardware, electrical appliances, paint, farm supplies and machinery. <i>Manufactures:</i> Feed, seeds.	Educational department, trucking.
New Jersey: Eastern Cooperatives, Inc., Grand and W. Ruby Aves., Palisades Park.	Groceries, dairy products, smoked meat, citrus fruit, motor oil, auto tires, household appliances and supplies. <i>Manufactures:</i> Roasts coffee.	Educational department, duplicating and offset printing, kitchen for testing food products, insurance (agency).
North Carolina: Farmers Cooperative Exchange, 121 E. Davie St., Raleigh.	Electrical appliances, petroleum products, auto tires and accessories, lumber and building material, farm supplies and machinery, poultry supplies.	Auditing, insurance (agency), credit and finance, trucking, machinery repair.
Ohio:		
Cooperative Wholesale Association, 245 North High St., Columbus 16.	Electrical appliances, household supplies, hardware.	
Farm Bureau Cooperative Association, 245 North High St., Columbus 16.	Fuel, petroleum products, auto tires and accessories, lumber and building material, paint, farm supplies and machinery, raw materials. <i>Manufactures:</i> Fertilizer, feed, petroleum products (including production of crude oil), chicks.	Educational department, marketing.
Ohio Farmers Grain & Supply Association, South Countyline St., Fostoria.	Fuel, petroleum products, paint, farm supplies. <i>Manufactures:</i> Feed, fertilizer.	
Oregon: Oregon Grange Wholesale, 1101 S.E. Salmon St., Portland.	Petroleum products, auto tires and accessories, farm supplies and machinery.	Credit and finance.
Pennsylvania: Pennsylvania Farm Bureau Cooperative Association, 3609 Derry St., Harrisburg.	Fuel oil, other petroleum products, auto tires and accessories, electrical and household appliances, hardware, lumber and building material, farm supplies and machinery. <i>Manufactures:</i> Feed, insecticides, chicks.	Trucking.
Texas: Consumers Cooperatives Associated, 1517 E. 3d St., Amarillo.	Groceries, fuel oil, other petroleum products, auto tires and accessories, electrical and household appliances, lumber and building material, farm supplies. <i>Manufactures:</i> Petroleum products (including production of crude oil), feed, fertilizer, insecticides.	Marketing.
Utah: Utah Cooperative Association, 526 W. Eighth South St., Salt Lake City.	Electrical appliances, petroleum products, auto tires and accessories, lumber and building material, farm machinery. <i>Manufactures:</i> Petroleum products (including production of crude oil).	
Washington:		
Grange Cooperative Wholesale, 1104 Mercer St., Seattle 9.	Groceries, meat, limited lines of clothing and shoes, fuel, household supplies, petroleum products, auto tires and accessories, farm supplies and machinery, electrical appliances, hardware, building material.	Auditing, trucking.
Pacific Supply Cooperative, Box 1004, Walla Walla.	Petroleum products, auto tires, and accessories, electrical and household appliances, hardware, farm supplies and machinery. <i>Manufactures:</i> Feed, fertilizer, insecticides.	Auto repair, trucking.
Wisconsin:		
Wisconsin Cooperative Farm Supply Co., 18 South Thornton Ave., Madison 1.	Fuel oil, electrical appliances, other petroleum products, auto tires and accessories, lumber and building material, farm supplies.	
Central Cooperative Wholesale, 1901 Winter St., Superior.	Groceries (including fresh fruits), meat, clothing, shoes, fuel, household supplies, petroleum products, auto tires and accessories, electrical appliances, hardware, lumber and building material, farm supplies and machinery. <i>Manufactures:</i> Feed, bakery goods, roasts coffee, ripens bananas.	Educational department, appliance repair, merchandising (including advertising and store layout).

See footnote at end of table.

Lines of goods handled by cooperative wholesale associations, and other services provided—Continued

Name and address of wholesale	Goods handled ¹	Other services
<i>District</i>		
Michigan: Bruce Cooperative Services, Bruce Crossing. Northern Cooperatives, Inc., Hancock. Northland Cooperative Feder- ation, Rock.	Fuel oil, other petroleum products, auto tires and accessories. Fuel oil, other petroleum products, farm ma- chinery. Fuel oil, other petroleum products, auto tires and accessories.	Cold storage, fish marketing. Educational de- partment.
Minnesota: Federated Co-ops of East Cen- tral Minnesota, Cambridge.	Propane gas.....	Insurance (agency) insulation and weatherstripping, trucking.
Trico Cooperative Oil Asso- ciation, 1214 Cloquet Avenue, Cloquet.	Fuel oil, other petroleum products, auto tires and accessories, tractors, farm machinery.	
C-A-P Cooperative Oil Asso- ciation, Kettle River.	Petroleum products.....	Trucking.
Range Cooperative Federation, 307 N. 1st St., Virginia.	Dairy and meat products, automobiles, fuel oil, other petroleum products, auto tires and ac- cessories, farm machinery. <i>Manufactures:</i> Butter, cheese, meat products.	Educational de- partment, auto repair, cold stor- age, recreation (park), mortuary, marketing.
Wisconsin:		
Fox River Valley Cooperative Wholesale, 407 N. Superior St., Appleton.	Petroleum products, auto tires and accessories, hardware, farm supplies.	
A & B Cooperative Associa- tion, 414 11th Ave., Ashland. Cooperative Services, Maple..	Fuel oil, other petroleum products, auto tires and accessories. Fuel oil, other petroleum products, lumber and building material, farm supplies and ma- chinery.	Implement repair.

¹ "Farm supplies," as here used, includes feed, seed, fertilizer, boxes and other containers, insecticides, binder twine, etc.

Appendix K.—Consumers' Cooperation: A Selected List of References¹

ALANNE, V. S.

Fundamentals of consumer cooperation. Superior, Wis., Cooperative Publishing Association, 1941. 120 pp., chart. (7th ed., revised.)

Booklet intended for study groups, educational committees of cooperative associations, and similar organizations.

—— Manual for cooperative directors. Superior, Wis., Cooperative Publishing Association, 1938. 208 pp.

Exposition of matters on which cooperative directors should be informed: General administration; qualifications of board members; what directors should know about cooperative principles, bookkeeping, financial statements, parliamentary procedure, etc.; how to analyze an income and expense statement and a statement of assets and liabilities; discussion of the various controls (margins, expenses, inventories, etc.).

BAROU, N.

Cooperative insurance. London, P. S. King & Son, Ltd., 1936. 391 pp.

An analysis of the nature, elements, and shortcomings of popular insurance, and a discussion of insurance on the cooperative basis. Contains chapters on cooperative insurance by agricultural and consumers' cooperative associations, labor organizations, and employees' organizations.

CARR-SAUNDERS, A. M.; FLORENCE, P. SARGANT; and PEERS, ROBERT.

Consumers' cooperation in Great Britain. An examination of the British cooperative movement. London, George Allen & Unwin, Ltd., 1938. 556 pp., maps.

This detailed study covers many points of interest hitherto almost entirely neglected—administration of both retail and wholesale associations, general questions of democratic control, the place of federal associations in the cooperative structure, working conditions in cooperatives, points of efficiency and of inefficiency of the cooperative movement, and its future possibilities.

CHILDS, MARQUIS W.

Sweden, the middle way. New Haven, Yale University Press, 1936. 171 pp.

A description of the Swedish cooperative movement and its accomplishments, in relation to the whole Swedish economy.

CONSUMER DISTRIBUTION CORPORATION.

Manager's manual for cooperative food stores. New York, 11 West 42d St., 1940.

Various paging.

COOPERATIVE LEAGUE OF THE UNITED STATES. *Literature and Film Department* (525 West 76th Street, Chicago, Ill.).

A short history of the Cooperative League of the U. S. A., by Dr. James P. Warbasse. 1946. 40 pp., chart, illus.

Brief account of the formation of the League and of its activities, written by one of its founders and its president for the first 25 years of its existence.

—— The Cooperative League of the United States—Its program and purpose. 15 pp. (n.d.)

—— Bethlehem and Rochdale: The churches and consumers' cooperation, 1884–1944, by Benson Y. Landis. 1944. 62 pp.

—— Cooperative education, by Dr. James P. Warbasse. 1947. 32 pp.

—— Cooperative medicine: The cooperative organization of health protection, by Dr. James P. Warbasse. 1946. 62 pp.

¹ Most of the publications here listed may be obtained from either the Literature and Film Department of the Cooperative League (525 West 76th St., Chicago, Ill.) or the Cooperative Publishing Association (Box 2000, Superior, Wis.).

COOPERATIVE LEAGUE OF THE UNITED STATES—Continued

- The value of consumer cooperation to organized labor, by James Myers. 1943. 48 pp., charts, illus. (2d ed.)
- Objectives of consumers' cooperation, by Murray D. Lincoln. 1946. 14 pp.
- Primer of bookkeeping for cooperatives, by Werner E. Regli. 1937. 40 pp.
- Problems of cooperation: A study of the deficiencies of the cooperative method of economic organization, and the difficulties in the way of its expansion, by Dr. James P. Warbasse. 1940. 100 pp.

COWLING, ELLIS.

Cooperatives in America, their past, present, and future. New York, Coward-McCann, Inc., 1938. 206 pp.

Recounts briefly the development of Rochdale cooperatives in England and in other European countries, and shows how the American movement was built on the efforts of early farmers' organizations and on those of immigrants from countries where cooperatives had thrived. The account of present-day cooperatives in this country includes a chapter on the struggle in the farmers' organizations between the consumer and producer points of view, and one analyzing the factors of strength and weakness. The latter contains an enlightening account of the overlapping in the cooperative wholesale movement.

DANENBERG, ELSIE.

Get your own home the cooperative way. New York, Greenberg, 1949. 182 pp., illus.

Account of housing cooperatives and their experiences and accomplishments in some 75 places. Also contains information on how to organize a housing association and on the various means of financing such an association (including FHA and veterans' housing measures).

DANIELS, JOHN.

Cooperation—An American way. New York, Covici-Friede, 1938. 399 pp.

Traces the development of the cooperative movement, beginning with the mutual insurance associations formed as early as 1820, continuing with the various Grange cooperative ventures of the 70's and 80's, the developments of the later nineteenth century, and those of the present time. The presentation of the various types of associations, local and federated, commercial and educational, as part of a unified movement, shows how each fits into the picture.

- American cooperatives. Yesterday—today—tomorrow. New York, New Leader Publishing Association, 1945. 39 pp., illus.
- Friendly critique of consumers' cooperatives in the United States.

FOWLER, BERTRAM B.

The cooperative challenge. Boston, Little, Brown & Co., 1947. 265 pp. \$2.75.

Describes various aspects of the cooperative movement—cooperative discussion groups, development of petroleum cooperatives from a single local association in 1921 to an international trading association in 1946, electricity cooperatives, farmers and organized labor in the cooperative movement, cooperative medical care, cooperative burial associations, etc. The last chapter is a friendly but critical analysis of the whole consumers' cooperative movement in the United States, showing its faults and weaknesses.

FREUNDLICH, EMMY.

Housewives build a new world. London, International Cooperative Women's Guild, 1936. 142 pp.

An account of the formation, development, and activities of the International Cooperative Women's Guild and its affiliates in various countries.

KALEN, HORACE M.

The decline and rise of the consumer: A philosophy of consumer cooperation. New York, D. Appleton-Century Co., Inc., 1936. 484 pp.

Traces the position of consumers under capitalism under "producer" doctrines, such as those of Robert Owen, and as a pressure group in the producer world. Shows the gradual emergence of the idea of the "primacy of the consumer" through the development of consumers' cooperation. Of particular interest to American readers are the chapters on the history of the cooperative movement here—among the farmers and among the industrial workers—and future possibilities

- KERCHER, L. C.; KEBKER, V. W.; and LELAND, W. C., Jr. (R. S. VAILE, *editor*.)
 Consumers' cooperatives in the North Central States. Minneapolis, University of Minnesota Press, 1941. 431 pp., map, illus.
 Detailed accounts of 18 local and federated associations in the North Central States, suitable for classroom use.
- LEWIS, RUSSELL K.
 How to organize a health cooperative. St. Paul, Minn., Health Center Services Committee (180 Snelling Avenue N.), 1948. 126 pp., bibliography, charts.
 Includes chapters on the preliminary health survey, incorporation of the association, membership drive, publicity program, prepayment contract, financing, planning and building a hospital, and the Cooperative Health Federation of America. Appendixes give summary descriptions of typical prepayment plans in large and small communities
- PACKEL, ISRAEL.
 The law of the organization and operation of cooperatives. Albany, N. Y., Matthew Bender & Co., 1947. 389 pp. (2d ed.) \$7.50.
 Revision of an earlier (1940) edition, incorporating many additional court decisions affecting cooperatives, and a considerable expansion of the discussion of taxation of cooperatives.
- PITTS, NATHAN ALVIN.
 The cooperative movement in Negro communities of North Carolina. Washington, Catholic University of America Press, 1950. 201 pp.
- RANDALL, HARLAN, and DAGGETT, CLAY.
 Consumers' cooperative adventures. Whitewater, Wis., Whitewater Press, 1936. 646 pp., charts, illus.
 Intended for classroom use. Gives case histories of selected cooperative associations.
- SHADID, DR. MICHAEL.
 Principles of cooperative medicine. (n. p., n. d.) 129 pp.
 Discussion of the principles on which cooperative prepayment medical-care plans operate, the essential requirements of a hospital association, and how to organize such associations. Appendixes contain membership application form, articles of incorporation and bylaws for a medical-care plan. The author was the founder, and for many years the medical director, of a pioneer hospital association on the cooperative plan.
- [STUDENT COOPERATIVES.]
 Answering your questions about campus co-ops. Kansas City, Consumers Cooperative Association, 1949. 5-p. folder.
- UNITED STATES. *Department of Labor. Bureau of Labor Statistics.*
 Consumers' cooperatives in 1949: Operations and developments, by Florence E. Parker. Washington, 1951. 33 pp. (*Its Bulletin No. 1013.*)
 Annual report, covering the year 1949. Data cover retail distributive, local service, and insurance associations, credit unions, federations (wholesales, service federations, and productive federations), as well as discussions of developments in the various branches of the cooperative movement, and the legal developments (laws and court decisions) in 1949.
-
- International aspects of the cooperative movement. 11 pp.
 (*Its Serial No. R. 1660, Rev.*)
-
- Nonprofit housing projects in the United States. Washington, 1947. 91 pp. (*Its Bulletin No. 896.*)
 Describes 20 nonprofit housing projects, using self-help and other procedures adaptable for use by other groups.
-
- Operations of cooperative burial associations, 1939. (*Its Serial No. R. 1216.*)
 Describes how cooperative burial associations operate and finance their business. The statistics given in this pamphlet relate to 1939; for data for 1949, see Bulletin No. 1013, above.
-
- Organization and management of cooperative and mutual housing associations (with model bylaws). Washington, 1946. 65 pp. (*Its Bull. No. 858.*)
 Covers preliminary planning, site selection, site and house planning, financing, membership relations, etc.

UNITED STATES. *Farm Credit Administration. Cooperative Research and Service Division.*

Cooperative frozen-food locker plants—organization and operation. By S. T. Warrington and Paul C. Wilkins. Washington, 1946. 82 pp., bibliography, maps, plans, illus. (*Its Circular C-127.*)

Intended for the use of groups wishing to organize and operate a cold-storage locker and processing plant. Describes organizing procedure, financing, plant design, selection of personnel, bookkeeping, and elements of expense.

————— Cooperation for rural health, by Helen Johnston. Washington, 1948. 55 pp., illus. (*Its Miscellaneous report 123.*)

Describes a number of health cooperatives and their problems

————— Managing farmers' cooperatives, by Kelsey Gardner. Washington, 1939. 12 pp. (*Its Circular E-21.*)

Written for farmers' organizations, but equally applicable to urban consumers' cooperatives.

————— Sizing up your cooperative, by J. E. Wells, Jr. Washington, 1939. 13 pp. (*Its Circular E-18.*)

Gives 9 factors to be taken into consideration in "sizing up" a farmers' cooperative. These are equally applicable to consumers' cooperatives.

————— *Housing and Home Finance Agency. Federal Housing Administration.*

New aids for cooperative housing, by Warren J. Lockwood. (*In Insured Mortgage Portfolio, Second Quarter, 1950, pp. 6-8.*)

Discussion of the aids provided for cooperative housing under the National Housing Act of 1950 and regulations adopted under it.

————— A kit of tools for cooperative housing. Washington, 1950.

Various leaflets.

A collection of valuable information for groups wishing to undertake cooperative housing with FHA insurance. Contents include the following: Cooperative housing projects (general information); A guide to cooperative housing; Cooperative housing insurance—Administrative rules and regulations under section 213 of Title II of the National Housing Act; and various forms used in the application and processing of applications for insurance. Kits may be obtained from local FHA offices.

UNITED STATES. *Rural Electrification Administration.*

A guide for members of rural electric cooperatives. Washington, 1950. 24 pp.

————— Electricity for the farm through REA. Washington, 1941. 23 pp., map, illus.

Tells how the REA program works, how farmers can organize to obtain electric power cooperatively, and what has already been accomplished under the program.

————— Telling the co-op story: An educational handbook for rural electric co-ops. Washington, 1949. 71 pp., bibliographies, illus. (U. S. Department of Agriculture Miscellaneous Publication No. 685.)

Discusses the various ways in which members and the public can be told about REA cooperatives and their advantages.

————— A telephone for your farm: Answers to questions about the rural telephone loan program. Washington, 1950. 16 pp.

Tells how to go about organizing an association for the operation of a cooperative telephone system, under the Federal law authorizing loans to such associations.

————— *Social Security Agency. Bureau of Federal Credit Unions.*

Credit Committee handbook. Washington, 1941. 40 pp. (*Its Circular No. 27.*)

————— Handbook for Federal credit unions. Washington, 1947. 54 pp.

————— Suggestions for annual meetings of Federal credit unions. Washington, 1939. 33 pp.

WARBASSE, DR. JAMES P.

Cooperative democracy through voluntary association of the people as consumers. New York, Harper & Bros., 1947. 324 pp. (5th ed.)

"A discussion of the cooperative movement, its philosophy, methods, accomplishments, and possibilities, and its relation to the State, to science, art, and commerce, and to other systems of economic organization," by the former president of the Cooperative League of the United States.

For other publications by the same author, see under Cooperative League of the United States.

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