



Issue #20 9 April 1971

#### CANADIANS PROPOSE FORMATION OF A UNION

The weekend of March 12-14 Neill-Wycik College in Toronto hosted a conference to discuss the possibility of forming a Union of Student Co-ops and related groups.

The conference began on Friday evening with a speech by Howard Adelman. He discussed the past attempts to create associations of student co-ops, what they were and why they've generally failed. He mentioned the goals a new union might have. High on his list was the provision of services, especially with an eye towards economics--rent collection, bookkeeping and quantity purchasing; politics--lobbying for need legislation and social changes; and education--to help people better understand what co-ops are and how they work.

Saturday was spent in information exchange. The participating co-op groups each explained their organizations, and the projects they were presently involved in. The afternoon was spent visiting the Hall, a community center and coordinating point for communes and community action groups. Saturday also had workshops on financing and managing co-ops, both small house and high rise types.

On Sunday the group met to consider resolutions concerning the creation of a union of student co-ops. A number of proposals were passed. The major motion was:

that the following principles be accepted as proposed goals for a union and that a union of students, youth, and community organizations who are co-operatively

oriented be formed this year:

- (1) that there is need for communication between co-ops
- (2) the union be a body to make formal representations on behalf of student co-operatives
- (3) that a bibliography of co-op information be assembled
- (4) that the union increase awareness of the co-op movement
- (5) act as a liason to other co-operative organizations

Responsibilities for carrying various aspects of the study and groundwork for formation were given out and it was decided to hold another conference at Pestalozzi College in Ottawa the weekend of August 27-29.

Anyone interested in this new union should contact

Miss Laura Lowry  
Neill-Wycik College 5B4  
96 Gerrard Street  
Toronto, Ontario

\*\*\*\*\*

STUDENT ASSOCIATION, COLLEGE OF WILLIAM AND MARY, P.O. Box 2406,  
WILLIAMSBURG, VIRGINIA 23185

The student association here at The College of William and Mary is presently in the process of forming a student owned non-profit corporation in order to provide our students with many of the services that are either not available to them or which the local merchants are gouging them for. Naturally you can appreciate the problems we are going through one of which is lack of information and the transient nature of the student officers trying to form this corporation. For this reason I would be most thankful for any and all information you can send to us as fast as you possibly can. What interests us specifically at this early stage would be such things as record and book discounts, what publishers to contact, where and how, and other business enterprises which we might contact to purchase their products. We are also interested in some form of insurance the students may obtain in order to protect their personal possessions.

RICHARD F. BOWMAN

\*\*\*\*\*

U.S.F. #497, University of South Florida, TAMPA, FLORIDA 33620

At current the University of South Florida leases contracts for cafeteria service to various commercial catering companies. It is our desire in student government to bring these cafeteria contracts under a nonprofit corporation and affect a savings for the students who find it necessary to eat on campus.

Our student government has established an affiliate non-profit corporation known as Student Associated Enterprises. This corporation may be the key to obtaining non-profit food service, but we need more information.

Please send us any information that you have regarding other schools with a non-profit cafeteria system.

RODNEY J. PRESLEY

\*\*\*\*\*

ANOTHER CONFERENCE!!--April 30 to May 2--AUSTIN, TEXAS

The Inter-Cooperative Council at the University of Texas is sponsoring a cooperative youth conference. The conference will provide an opportunity for co-op members and others to share their experiences. The emphasis will be placed on developing and organizing cooperative ventures--co-op stores, buying clubs, gas co-ops, etc.

The following is an outline of the conference:

FRIDAY AFTERNOON--arrival and participation of participants.

SATURDAY MORNING--panel discussions on:

- 1) What the co-op movement is trying to accomplish
- 2) experiences of present co-ops
- 3) NASCO report

SATURDAY AFTERNOON--Workshops on legal, tax, and organizational problems, HUD loans, and University--co-op relations

SATURDAY DINNER--Speaker on why co-ops succeed or fail.

SUNDAY MORNING--Panel discussions on different types of co-ops, and how they work.

SUNDAY DINNER--A final summation and speaker.

If you are interested in attending this conference, please contact:

Regional Cooperative Youth Conference  
Inter-Cooperative Council  
University of Texas  
360 Texas Union  
Austin, Texas 78712

## NASCO'S NEW IMPROVED 1971 HOSTELLING PROJECT

Because of this summer's shortage of jobs and our mobile nature, many students and young people will be travelling across the country this summer. This means many people looking for a cheap but friendly place to stay. To help this situation NASCO has again undertaken a hostelling program--much improved over last years program. In addition to giving co-op members places to stay while travelling the communication and learning that goes along with the program are important. It is through such sevices as these that the co-ops can help their fellow co-oper's, and learn what other groups are doing in other parts of the country are doing. With your support and involvement both traveller and hosteller know each other, through the NASCO system. Here's how it works:

To become a participating NASCO hostelling cooperative:

If you are a NASCO member (\$10 anually-which includes newsletter and all other services available from NASCO), and wish to be a hostel, simply fill out the form on the next page and return within two weeks. You should specify the accomodations which you can provide. While hostels are allowed to charge NASCO hostellers for services provided, we ask that these not exceed \$1 for room and \$2 for meals. Any member of your co-op may then get a NASCO hostelling card and guide at the reduced rate of \$1 (see below).

To become a hosteller:

Anyone may become a hosteller, although the type and cost varies with their NASCO affiliation. There are four types of NASCO hostellers, each entitled to a hostelling card and guide to hostels--

1. FREE--Any individual NASCO member is automatically entitled to a free NASCO hostelling card and guide. If you're not a member--just send \$10.
2. \$1.00--Members of co-ops which are participating NASCO hostels can become hostellers for \$1 each. The participating co-op should send a list of members interesed as soon as possible.
3. \$3.00--Members of NASCO member co-ops not acting as NASCO hostels can become hostellers by paying the \$3 fee.
4. \$5.00--Any individual not a NASCO member, or member of a NASCO member cooperative can take advantage of the hostelling system by sending a \$5 fee, which then entitles them to full NASCO hostelling priviliges, including the hostelling guide and identification card.

The hostelling card will be used by NASCO hostels to identify the hosteller, and thereby protect themselves by knowing they can trace him through NASCO. This protects the hostel against possible rip-offs. The hostelling guide will list all participating hostels, and will be updated when necessary to include new hostels.

We hope you will take advantage of this system, the more co-ops which become hostels, the more complete a system of coverage we can provide. It is however essential that if you are interested in either being a hostel or a hosteller that you notify us as soon as possible to allow us to have the guide printed by the end of May. Hope to hear from you!!

NORTH AMERICAN STUDENT COOPERATIVE ORGANIZATION  
HOSTELLING APPLICATION

PLEASE FILL IN ALL APPROPRIATE AREAS

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone (include area code) \_\_\_\_\_

I/We want to be a  participating hostel  
 hosteller

If a hostel:

We are already a NASCO member

We enclose \$10 to become a NASCO member-This entitles us to a subscription to the NASCO newsletter, and all other services provided by NASCO.

Person of officer to contact upon arrival: \_\_\_\_\_ (phone) \_\_\_\_\_

We can provide the following accommodations(describe, i. e., couch, floor space)

We will charge \$ \_\_\_\_\_ for space (\$1 max)  
\$ \_\_\_\_\_ for meals (\$2 max)

Guests might want to know the following (how to find the co-op, what to expect, etc)

If a hosteller:

I am

- a NASCO member (\$10) and am thereby entitled to a free hostelling card
- a member of a NASCO participating co-op hostel and enclose \$1 for my hostelling card
- a member of a NASCO member co-op, not participating as a hostel, and enclose \$3 for my hostelling card.
- not a member of NASCO or a member of a NASCO member co-op, but I do want to be a NASCO hosteller, so I enclose \$5.

Enclosed please find our cheque in the amount of \$ \_\_\_\_\_ to help cover the costs of printing and mailing both the cards and hostelling guides, and their updates when necessary.

Signed: \_\_\_\_\_

PLEASE NOTE THAT IT IS ESSENTIAL THAT ALL APPLICATIONS BE RETURNED IMMEDIATELY--WE MUST HAVE THEM WITHIN TWO WEEKS TO ENABLE PRINTING AND DISTRIBUTION BEFORE THE END OF MAY.



Issue #19 19 March 1971

It's been a long time since our last newsletter, but as you can see from this one, we've been busy. We've been re-evaluating, getting ourselves together, and preparing to face the new tasks ahead. We're overwhelmed by the support people have given, and are grateful to be able to continue helping further co-ops and the alternatives they provide. If you still haven't joined us, please do, we'd like your support--full membership is \$10 and a simple newsletter subscription is \$6 (if you already subscribe, but would like to become a member, just send \$4).

Thanks to Cynthia, we have a new masthead, just the perfect symbol for the start of our new efforts.

Happy it's Spring,  
NASCØ

+++++

INDEX

Operating a BOOK EXCHANGE.....2  
 Report on MINNEAPOLIS CONFERENCE.....3  
 NASCO ORGANIZES.....4  
 CONFERENCES of the FUTURE.....5  
 NASCO needs information--HELP!!!.....5  
 BIBLIOGRAPHY of literature here.....6  
 -if you know of any valuable information printed, please  
 let us know.  
 ON INCORPORATING.....1

+++++

NATIONAL STUDENT ASSOCIATION 2115 S Street N W, WASHINGTON DC  
20008 OPERATING A BOOK EXCHANGE

Many student governments across the nation receive complaints from their fellow students regarding the high prices and the low resale value of textbooks at their college bookstores. An excellent solution to this problem is a student government book exchange. Simply stated, a book exchange is a service offered by the student government which provides students an opportunity to resell their textbooks from the past semester for a larger amount than they would receive at their college bookstore (sometimes 30 to 40 percent more). It also provides students with an opportunity to purchase needed textbooks at large discount prices.

Following is a guideline for establishing a book exchange:

\*Begin planning stages one to two months prior to actual operation. During this time, a) select a chairman (I would suggest an officer of the senate or someone else in student government); b) choose a location (it should be easily accessible, a large room that can be locked); c) a publicity campaign should begin shortly after the location is set and a chairman is picked (you might use the school newspaper, your campus radio station, leaflets and posters).

\* Materials needed are: a) 3x5 index cards (estimate one card for every 2 students on your campus). Arrange these cards in sets of three, numbering each set with corresponding numbers, e. g. A-001 for the first set of three, A002 for the second set, etc. b) pamphlets explaining your procedure with spaces for persons to note their catalog numbers of books turned in to be sold. c) tables for display of books, d) cash boxes. e) posters noting departments and procedures.

The actual procedure should begin two days before classes are in session and terminate 10 days thereafter.

\*Procedure and Bookkeeping: Each time someone turns in some books to be sold he or she is handed a brochure and one set of cards for each book to be sold. Each card should be filled out with the person's name, title of book, and author, and the price the person wants to sell for. On the brochure the person writes the corresponding numbers of each card. He or she then hands in the books. Seven or eight staff members continue the bureaucracy by first stapling one card in the book, filing the second card, and returning the last card to the owner of the book. The owner keeps this card along with the brochure in order to reclaim money or unsold books. The books are then placed on their proper classification to be sold. (In order to validate each person's cards and books, they should be stamped with an appropriate authorization, e. g. Student Senate Exchange.) It would be wise to obtain a list of all textbooks that are to be offered the following term for easier classification pricing. Persons should be allowed to bring in books 2 days before the exchange begins until 2 days after it is actually in progress. No books should be accepted after or before the designated dates.

\*The size of the staff depends on the amount of business. You should have at least three people taking in money, seven or eight in charge of collecting books and filing cards, three or four floor walkers, and the chairman or chairwoman.

more.....





## NASCO ORGANIZES !!!!!!!!!

The NASCO Board of Trustees (John Achatz, Phil Bozzo, Rex Chisholm, A. E. Dreyfuss, Ernie Eden, Jim Jones, Dennis Kuhlow, Max Kummerow, Kim Merriam, Paul Merrill, Jay Jacob Wind) met at the Minnesota NASCO conference. The major topic was how to reorganize NASCO. It was decided that NASCO's purpose and goals should be to provide lines of communication between student co-ops and those interested in alternative lifestyles. NASCO should continue and expand as an information center for cooperatives. The idea of education was heavily stressed, because it was pointed out that one of the largest problems student co-ops now have is the education of their members. Most important was that NASCO continue to publish its newsletter, and work to improve its quality.

To actualize these goals the following structure emerged:

Anyone can become a member simply by signifying interest and paying the \$10 annual membership dues. There are two types of members, the first being student co-ops and student co-op organizations, the other consisting of interested individuals and non-student co-op organizations. Membership entitles you to the newsletter, our hostelling guide, voting privileges, and control of NASCO as with any other co-op. But most importantly, by being a member of NASCO, you are helping others. You help those who want to start a new co-op, those who want to improve their co-op or its structure, and in general you provide a central organization for student co-ops which can represent and speak for the movement as a whole. It was also decided that subscriptions to the newsletter would be available to non-members for a \$6 annual subscription rate.

The Board of Trustees was expanded to fifteen members-eight to be elected by the student co-op members from eight different geographical regions (five in the U.S. and three in Canada), and the other seven Board members to be elected at large by all the members. The elections will take place by mail in the Spring. This year the elections will take place at the NASCO national conference on October 22-24.

The Board of Trustees annually elects the three officers of NASCO-President, Vice President, and Secretary-Treasurer. The Board elected the following to serve until the next election: Dennis Kuhlow-President, Kim Merriam-Vice President, and Rex Chisholm-Secretary-Treasurer.

Since NASCO is an educational and informational, non-profit organization, it was decided to apply for a 501(C)-3 tax exemption, to allow us to accept tax-free donations and gain non-profit mailing privileges.

The Board also discussed applying for a grant to run an internship program. This would train future co-op managers by helping them through school and giving them a chance to work with co-ops while still in school. This benefits not only the people in the program, but also the cooperatives. It provides them with interested and well-trained people.

next page.....

A. E. Dreyfuss explained the NASCO - USYC project. Its purpose is to survey existing co-ops and to try to include other youth in the cooperative movement. It is through this program that NASCO will be sponsoring the conferences during the next year. Hopefully when complete, we'll be publishing a report on student cooperatives, how they operate, why they exist, and how they're doing. Part of this project is a survey which will be sent to every student co-op we know of. When you get this survey, please help--fill it out and return it promptly. Also mentioned was the possibility of creating a revolving fund, administered by NASCO, from which co-ops or potential co-ops could borrow.

The next trustees meeting will be held during the NASCO conference on HUD financing, April 1-4. Any suggestions you might have concerning these or other topics involving NASCO are welcome in Ann Arbor at our address.

Rex Chisholm  
Secretary-Treasurer  
NASCO

+++++

**CONFERENCES !!!**

An up-to-date schedule of the co-op conferences being sponsored this year by NASCO and the United States Youth Council with those organizations hosting the conferences:

Washington D. C.	April 1-4	sharing of information on obtaining federal funds for co-ops
Madison, Wisc.	April 16-18	"Cooperation among Co-ops"
Austin, Texas	April 30- May 2	organizing and operating housing and other co-ops
Berkeley, Cal.	May 14-16	
Virginia	late June	
Boston	Oct. 22-24	Annual NASCO conference

Want to attend any of these? Contact A. E. Dreyfuss  
120 E. 32nd Street  
New York, N. Y. 10016  
(212) 687-3674

+++++

**NASCO NEEDS INFORMATION--**

We're developing a resource file of mostly practical information on cooperatives (note bibliography on next page). To be able to help those people who want to start or improve co-ops we need more information to reprint-on how your co-op or organization developed, your organization, and method of operation. We also need resource people to whom we can refer people with specific problems. Right now we have many requests for information on **FOOD STORE CO-OPS & GROUP HEALTH.** If you can help improve our information files, act as a resource person, or know someone who can, please send information or name and address to:  
Kim Merriam 1500 Gilbert Ct. Ann Arbor, Mich

## LITERATURE ON CO-OPS

NASCO maintains a supply of reprints of speeches and articles related to student cooperatives. Unless otherwise noted, all are available at no cost.

HOWARD ADELMAN, Dept. of Philosophy, York University, Toronto, YOUTH, BUREAUCRACY and COOPERATIVES (.25).

JOHN ACHATZ, NASCO & Executive Secretary, Inter-Co-op Council, Ann Arbor, ON INCORPORATING (.25).

WILLIAM BIRENBAUM, President, Bedford-Styvesant Corp. Educational Affiliate, CO-OPS AND STUDENT POWER.

LUTHER BUCHELE, Executive Secretary, Inter-Co-op Council, Ann Arbor, WISE USE OF STUDENT CO-OPS (.25).

REX CHISHOLM, NASCO, Ann Arbor, HOW TO START A HOUSING COOPERATIVE, (.25).

JILL CRABTREE, Michigan Daily, Ann Arbor, BUILDING CO-OP POWER: A MILITANT LIFESTYLE IN THE URBAN & CAMPUS GHETTO.

CANADIAN MORTGAGE AND HOUSING CORP., LOANS FOR STUDENT HOUSING PROJECTS (available in French, too).

CANADIAN UNION OF STUDENTS, COOPERATIVE HOUSING  
COOPERATIVE STUDENT HOUSING-ITS  
NEED AND ORGANIZATION.

ERICH FROMM, From his address at Washington conference on student co-ops-1968, PSYCHOLOGICAL PROBLEMS OF GROUP LIVING (.25).

JEFFERY GOODMAN, Michigan Daily, Ann Arbor, IDEAL ORGANIZATION DECENTRALIZED.

GLENN GREER, Manager, Guelph Campus Co-op, ORGANIZING THE STUDENT CO-OP.

BEN HOFFMAN, Inter-Co-op Council, BRIEF APPENDIX TO MICHEL'S "IRON LAW OF OLIGARCHY".

INTER-CO-OP COUNCIL, Ann Arbor, SEARCH FOR STRUCTURE (.25).

INTER-COOP COUNCIL, Ann Arbor, a series of operating guides for co-op officers- a lot of good advice and detail. \$5.00 a set.  
CO-OP PRESIDENT'S VADE MECUM  
STEWART'S BAEDECKER  
CONFIDENTIAL GUIDE TO CO-OP MANAGERSHIP

ACCOUNTING FOR THE SIMPLETON  
ACCOUNTANT'S MANIFESTO  
ARTICLES OF INCORPORATION, BYLAWS, STANDING RULES & MODEL  
CONSTITUTION.

GAIL MEREDITH, Co-op Report, STUDENT CO-OPS (a short survey of what's  
going on in co-op organizations).

DON MITCHELL, University of Saskatchewan, CO-OPS: THEORY, PRACTICE  
AND YOUTH.

NASCO: INDEX OF STUDENT CO-OPS (\$2.00)  
WHAT IS NASCO.

EUGENE STERNBERG, architect, A FEW THOUGHTS ON STUDENTS AND  
COOPERATIVE HOUSING.

ALAN WALKER, Detroit Free Press, ROCHDALE: THE COLLEGE STUDENTS  
ALREADY RUN.

WATERLOO CAMPUS CO-OP, ORGANIZATIONAL CHART

ALVIN WOOD, Coordinator, Waterloo Co-op Residence, Inc., CONSTRUCTION  
PROBLEMS AT THE (WATERLOO) PHILLIPS STREET CO-OP  
MANAGEMENT OF STUDENT CO-OPS.

+3+++++ & ++++++

## ON INCORPORATING

This article is intended as a practical guide to forming corporations.

We have written it for people like ourselves: people who have no legal training, but who find forming corporations a necessary and incidental part of setting up cooperatives to meet human needs.

Our knowledge of incorporating comes from experience. We have formed a dozen or so different corporations in Michigan, sometimes with legal help and sometimes without. This article is in the form of questions we are frequently asked and simple answers to them. The first questions deal with general things of corporations and proceeds to specific points for drafting articles of incorporation.

### Why have a corporation?

Having a corporation serves two purposes: it limits the financial liability of members or stockholders to that amount of money which they have contributed as stock or membership fees (except in the case of officers and directors who are dishonest or negligent) and, secondly, it is a legal entity with which tradesmen and government agencies are familiar and willing to do business.

### What is required to form a corporation?

To form a nonprofit corporation in Michigan, you must file with the Michigan Treasury Department: (a) articles of incorporation signed by at least three persons and (b) a \$20 fee. To form a profit corporation, you also need signed agreements from one or more persons to buy a total of at least \$1000 worth of stock in the corporation.

Other states and provinces have similar requirements.

### Since state and provincial laws vary on corporations, where can exact local requirements be found?

It is the function of attorneys to know such things. If you choose to do your own legal research, try the following sources:

The state or provincial bureaucracy which receives articles of incorporation for filing can usually provide blank forms for incorporation, instructions for filling them out, and also copies of the state corporation statute. If you do not know how to reach this bureaucracy, ask your county clerk for its name and address.

Copies of state laws can be found in nearly all public and law school libraries. They are listed as "Compiled Laws of . . . ." or ". . . . Statutes Annotated". Look for the section entitled "General Corporations". We have found that these laws are clearly worded and not too difficult to read, although you cannot expect

to fully comprehend them with one reading.

Lawyers do not memorize all of aspects of incorporating; they use form books. Guides to incorporating and sample articles can be found in "Nichols Cyclopedic Forms" and "Modern Legal Forms", copies of which are available in major public libraries and nearly all law schools.

Lastly, copies of articles from other cooperatives in your state can be extremely helpful.

Although we recognize that particular requirements vary from state to state and province to province, the information in this article is generally applicable, unless we have noted otherwise.

What are the advantages and disadvantages of having an attorney draw up articles of incorporation?

Attorneys are supposed to be familiar with the process of incorporating. There are three benefits which can be had from an experienced attorney drawing up the papers: (1) You can be assured that the articles meet the requirements of law; (2) He can point out important provisions in the articles which you might overlook; (3) He can word things in a way which will be unambiguous. This last is one of the most valuable services a lawyer can provide. Wording which may be simple and clear to the author or to the organizing committee may be very confusing to members who come later or to people outside the organization.

On the other hand, there are dangers involved in having an attorney prepare the papers. We have experienced four problems:

- (1) First, and most common, is the expense. In Michigan, the basis fee for an attorney is \$35 per hour. Some groups cannot afford this. Using a law student or volunteer attorney or legal aid clinic lawyer avoids the expense, but all too frequently increases the risk of experiencing one of the next three problems.
- (2) A lawyer may take too much time. It should never require more than a week to prepare incorporation papers if the group is ready to incorporate. This, of course, can be avoided by a clear understanding as to deadlines.
- (3) An attorney may insert provisions which you don't want or which are inappropriate or may insert clauses or even pages of "legalese" which confuses the nature of the organization. There is no reason why you should accept draft incorporation papers which are not simply worded and easily understood even by people who are not familiar with your organization. These problems usually arise when the attorney is not fully aware of the purposes of your organization.
- (4) He may not know about incorporating. This has happened in two groups which we know of. The group found an attorney who would work as a volun-

teer, but their work was set back several months when the articles of incorporation he drafted were rejected by the state office as not conforming to legal requirements.

From our experience, the best way to proceed with drafting articles is through four steps: (1) decide what you want the cooperative to do, (2) through research, decide on the characteristics of the corporation you wish to form, (3) using articles from other nearby cooperatives as models and using the forms and instructions from the state corporation registry, rough out your articles of incorporation, (4) lastly, if you are not familiar with incorporating, have your draft articles reviewed and revised, if necessary, by a competent lawyer.

#### Where to incorporate?

Sometimes people write us asking about the advantages of incorporating in Delaware or New Jersey or the District of Columbia or other states with favorable corporate laws. Large corporations do it because their legal staff has found one or more loopholes which it can exploit, usually to avoid taxes or to restrict the powers of shareholders.

There is no advantage to small corporations in this practice. In fact, since you would have to comply with both the laws of the state where you incorporate and the laws of the state where you operate, it is insane to incorporate in a different state. You only have to deal with one set of regulations and one bureaucracy and one set of taxes rather than two.

#### When to incorporate?

Although some people choose to use the incorporation procedure as a tool for forcing decisions about the purposes and operations of a co-op, we have found that it is best to delay incorporation until the group is quite clear in its definition of goals and methods. Once your group has decided what it wants to do, it should take about three weeks to form the corporation. Ten days will be taken up by research, four days for drafting and approvals, and seven days for filing with the state or province. This can be reduced to one day, if you are familiar with incorporation procedures or may take longer if the articles must be reviewed by many people.

Incorporation is best viewed as incidental to organizing the cooperative and symbolic as a milestone reached. It should never be considered as a goal in itself.

#### What is required in the articles of incorporation?

Michigan requires the following articles: a Preamble specifying the type of corporation formed, (I) name of the corporation, (II) purposes and powers, (III) address of the corporation, (IV) method of financing corporation, (V) names and addresses of people signing articles, (VI) names and addresses of first board of directors, (VII) length of time of existence of corporation (usually perpetual), (VIII) other desired provisions, including method of amendment, proceeds upon dissolution, etc.

Profit, nonprofit, or cooperative corporation?

States and provinces usually offer a variety of corporate types. There are special ones for banks, credit unions, railroads, cemeteries, colleges, and several other types of businesses. Housing, store, and other types of co-ops are generally organized under one of the three types of general corporations: profit or nonprofit or cooperative.

What are the benefits and disadvantages of profit corporations?

As is well known, profit corporations are allowed to engage in just about any business using nearly any practice they see fit. Profit corporations can borrow from the U S Small Business Administration or from federally funded small business investment companies to get starting capital.

On the other hand, profit corporations pay federal income tax and all state and local taxes, while nonprofit corporations may be able to avoid some of them. Profit corporations must be organized as stock-share corporations where shareholders are entitled to vote on company policy in proportion to the number of shares they own, unlike most co-ops where one member has an equal voice in policy. Profit corporations with more than fifteen or twenty must qualify their stock under securities regulations.

We know of no student co-ops organized as profit corporations.

What is a cooperative corporation?

A special corporate type for co-ops was designed in the thirties when farmers discovered that no suitable form of corporation was available for their marketing and supply cooperatives.

The cooperative corporation law varies considerably from state to state. Some have no provision at all for cooperative corporations, as such; others limit cooperative corporations to rural activities. In some cases, the law is such that requirements for cooperative corporations effectively preclude their use for housing or groceries or textbooks.

To see if there is a cooperative law which is suitable, read the cooperative sections of the general corporation statute and ask other cooperatives nearby if they are organized as cooperative corporations.

What are the advantages and disadvantages of cooperative corporations?

In Michigan and Minnesota, we have found the following advantages:

- (1) The corporation is permitted to use the word co-op or cooperative in its name. All other corporations are prohibited from using these words.
- (2) There is a symbolic tie between co-ops so organized.



- (3) Statute may require certain rights to be retained by the members in matters of co-op policy and may require that surplus money be rebated to members. Unfortunately, history has not shown that co-op members are so familiar with statute that they do demand their legal rights when managers or small factions within the co-op try to take power away from the members. Among student co-ops, the statutory provisions appear to be of little use. This is most often true of bookstores.

The primary disadvantage to cooperative corporations is that they are less likely to receive favorable tax treatment from the Internal Revenue Service under sections 501(c)(3) and 501(c)(7) of the IRS code than nonprofit corporations. A second disadvantage is that among housing cooperatives, there is sometimes a profit realized when debts are paid off without there being any cash accumulation. In this instance a cooperative corporation which is required by law to rebate to its members may be caught in a cash bind or be forced to resort to stock dividends which have problems of their own. With a nonprofit corporation, it is feasible to write the bylaws to force membership rebates when there is a cash surplus, but not when there is only a paper surplus.

What are the advantages and disadvantages of nonprofit corporate types?

Michigan statute will permit nonprofit corporations to engage in nearly any lawful business. We have found the following advantages to nonprofit corporations:

- (1) They are eligible for tax exemption under the Internal Revenue Act.
- (2) Members are free to choose their own methods of control over co-op affairs without the restrictions placed on cooperative corporations.
- (3) They have greater public acceptance in some instances because they are clearly identified with some social purpose other than making profits.
- (4) In one instance that we know of, a major public financing source has indicated that it is more willing to deal with nonprofit corporations than cooperatives. Their reasons are not fully known, although it is clear that both nonprofit corporations and cooperatives are eligible borrowers.

The disadvantages are: (1) the corporation may not be able to use the word cooperative in its name and (2) the protection of members rights under law are not available as they are to members of cooperative corporations.

We believe that the protection of members rights is best accomplished through writing into the bylaws mechanisms for protecting member control rather than depending upon statute.

What's in a name?

Law permits corporations to name themselves anything the incorporators want provided:

- (a) the name include some word to show that it is incorporated, such as corp. or corporation or incorporated or inc.
- (b) the name be different from the names of other corporations and not so similar that people might be misled.
- (c) the name does not include the word for a specially regulated type of corporation such as bank, credit union, insurance, railroad, etc.
- (d) the word cooperative or co-op be used only if permitted by law.

Although it is permitted, we have found no benefit whatsoever in the common corporate practice of naming the corporation one thing in the articles of incorporation but then using another name for ordinary use.

What are the corporation's purposes?

The article describing purposes and powers is the most important single article in the articles of incorporation. It should be carefully worded.

Generally the purpose and powers article is written with several clauses or paragraphs. It should carefully describe the range of goods and services to be provided by the corporation. It should also describe the corporate powers necessary to attain these goals.

Reading the articles of incorporation of similar cooperatives should provide a good idea of the necessary items to place in this article. Other sources frequently used by attorneys in drafting articles are the two form books named earlier in this discussion and government agencies related to the service to be provided by the corporation. The Federal Housing Administration provides model articles of incorporation for housing cooperatives. The Small Business Administration, although it does not supply articles directly relating to co-ops does have model articles of incorporation for different kinds of retail and service corporations. State housing authorities also provide model articles.

Most articles of incorporation include a broad purpose clause at the end of their purpose articles to insure that the corporation will have necessary powers. One frequently used clause is:

"To carry on any lawful business not contrary to its exempt purposes necessary and expedient for the attainment of the above purposes."

What must purpose clauses include if the corporation is to be exempt from federal taxes in the United States?

Federal tax exemptions are offered for corporations organized for particular purposes. These are described in the Dept of Treasury booklet "How to Apply for Exemption for an Organization" available from the Internal Revenue Service. The classes of exemption under which student co-ops qualify are 501(c)(7) and 501(c)(3).

To gain exemption under 501(c)(7), the purposes for which the corporation was formed must fall within the guidelines described in the booklet. This exemption is not hard to get.

Exemption under 501(c)(3) is difficult to get, since this is the same exemption class as given to colleges, hospitals and other charitable institutions. It permits the corporation to receive tax free gifts. Competent legal assistance will be needed to apply and secure this exemption. Three co-ops which have received this type of exemption and who might provide a valuable reference in preparing future applications are:

University Students' Cooperative Assn 2420 Ridge Road Berkeley, Ca 94709	Inter-Coop Council 340 Texas Union Austin, Texas 78705	Council for Student Cooperative Development 1469 North Cleveland St Paul, Mn 55414
---	--	---

What about exemption in Canada?

Several co-ops in Ontario have been able to incorporate as colleges and thereby get the various tax exemptions available to colleges. This requires a special incorporation.

We do not know whether or not this special incorporation is available to co-ops in other states and provinces.

Can more than one type of co-op service be included in the purpose clauses?

Yes, although we have observed that new co-ops that try to offer different services to different groups often suffer from terrible internal conflicts. An example of this type of conflict is in a co-op, which offers housing for a few people and a small bookstore, which constantly has disputes over the allocation of capital for expansion.

What about a registered address and/or resident agent?

These should be as permanent as possible. If your officers are going to be changing quite frequently or if you just have a short term lease (less than three years) on your facilities, you may wish to have official correspondence from the state or province sent to some permanent address where it is certain to reach you. Many small corporations use the address of their attorney. Student Co-ops sometimes use the address of the student government, of a church which sponsored them, or of a sympathetic faculty member. A local credit union is also a good contact point.

Membership corporations vs stock-share corporations?

Profit corporations are exclusively organized on a stock-share basis. Nonprofit and cooperative corporations usually have an option of organizing on a stock-share or membership basis.

We have found that membership corporations are less trouble to operate and have fewer legal pitfalls than stock-share corporations, although the Co-op League in its book on co-op depot food stores has shown some advantages for stock-share corporations in that particular kind of co-op.

In a membership corporation, membership is usually defined in the bylaws. Standard provisions limit membership to: (1) persons within a certain field of membership (say students, or people living in a single city), (2) persons who have been accepted as members by a planned procedure (for instance, filling out an application), (3) persons who use the services provided by the co-op, and (4) persons who have paid membership fees. If a member fails to comply with one or more of the named requirements, his membership ceases and his membership deposit, if any, shall be returned to him.

Stock-share plans, on the other hand, have shown the following problems:

- (1) with any substantial number of stock-holders, the corporation may be forced to register with the state securities commission;
- (2) the co-op will be forced to keep stock-transfer ledgers, which become cumbersome if the stock is transferrable;
- (3) if stock is retained by members after leaving the co-op, some co-ops have found that control has passed from those who use the service and/or it is no longer possible to get a quorum of shareholders necessary to make major policy decisions about the co-op.

Some cooperatives have overcome these handicaps, but they have done so by limiting the rights of stock holders in such a way that they have created de facto membership corporations. We believe that it is best to simply recognize co-ops as membership corporations from the outset.

If stock is necessary, the following limitations on the rights of stockholders have been found useful:

- (1) stock held by a person no longer using the services of the co-op shall automatically revert to a non-voting classification;
- (2) every person using the services of the co-op must own one share of stock;
- (3) every person owning more than one share shall have only one share of voting classification stock and all other shares shall be automatically non-voting class;
- (4) the quorum of stockholders should be limited to some fraction of the voting stock;
- (5) stock should be nontransferrable (including transfer to an heir) or (b) the stock should be transferrable only to the corporation, which may call back

any or all stock at its discretion for a price not greater than the price paid by the stockholder.

Decisions regarding limitations on stock should be carefully translated into the articles of incorporation and should be written on all shares of stock issued.

Who should be the incorporators?

People who will be members of the co-op and who are at least 21 years old. In Michigan, three persons are required for nonprofit corporations.

Is it necessary that the first board of directors be composed of people at least 21?

Some states and provinces require it. Michigan does not.

Should non-member advisors be seated on the board?

Some co-ops (notably Berkeley) have a long record of satisfactory experience with a limited number of non-member directors; other co-ops have had bad experiences; still other co-ops (including the ICC in Ann Arbor) as a policy would not have non-members making major co-op decisions.

The chief advantage to having non-member directors is to bring to the co-op business skills which the co-op could not otherwise afford. In our experience, we have found that if non-member directors are to be chosen, that they be chosen from outside the field of membership. Frequently people who sat in with the organizing committee are appointed to the board even though they do not apply for membership. Not applying for membership when it is available or not using the co-op's services when available is a sure sign of not enough interest to be a good director.

One compromise solution is to appoint a board of advisors, leaving the board of directors to members only. Faculty and other townspeople who genuinely are interested in seeing a student co-op succeed do not usually need to be bribed into helping the co-op with a vote on the board.

Is a board of policy-makers ideologically acceptable?

Some small housing co-ops do not wish to divide the labor to the point of having a specially designated policy making group. In this situation, it is possible to automatically appoint all members to the board of directors, although it is probably easier to continue with a small board of directors working under limited powers. It is then possible to require through the bylaws that all routine decisions be handled by the board, but that any substantial decision be put to vote at a house meeting. The main danger of too large a board is the failure of communication: discussions get cut short to save time or else too much decision-making power rests on the house officers because no one will listen long enough for the whole house to make minor policy.

How large should the board be?

Many researchers have found that discussion among more than 12 people are difficult. Fewer than six people is usually too small to be a representative group of all members.

What other provisions are permissible in articles of incorporation?

Michigan allows several articles as options. These include standard provisions for involuntary reorganization, amendment of articles, and disposal of corporate assets upon dissolution.

Amendment of articles is the same as for modify any organizations constitution. The requirement is often half of all members or two-thirds of those voting or three-quarters, etc.

Co-ops upon dissolution select one of three options for disposing of corporate assets: (1) dividing it among current shareholders or members, or (2) prorating it among all people who have been members of the corporation, or (3) calling for the funds to be used for some special purpose like organizing other student co-ops or offering scholarships. Option (3) is usually the most advantageous for securing taxexemptions.

What has all this come to?

In and of itself, forming the corporation and drafting articles is not too important. (Although there may be some satisfaction for having done the job well.) As one step among the many needed to form a cooperative organization, incorporating marks a major point.

JA 3-22-71