

October 25, 1937

Conference with Miss Dorothy Kenyon of New York

Re: Consumers' Cooperatives

Miss Kenyon was referred to me by the Chairman's Office on Monday, October 25th. Although she is actively engaged as First Deputy License Commissioner of New York her extracurricular interest seems to be in consumers' cooperatives operating on the Rochdale plan. She acts as counsel for a number of such cooperatives, as well as donating her services as legal adviser to the national association. I gathered from her conversation that she is one of the outstanding legal experts in the country in this field.

Miss Kenyon's specific inquiry was as to the possibility of amending Rule 201 to permit the sale of bonds by genuine consumers' cooperatives in denominations of less than the presently required \$500. She pointed out that, under clause 3 of paragraph (a) of Rule 201, social, literary, artistic, athletic and recreational organizations are permitted to offer securities to the members in units as small as \$10. She said she felt that although technically the consumers' cooperative was probably not a non-profit organization within the meaning of this provision, it was at least as worthy of exemption as the ordinary social club, and she suggested that the requirement of \$500 units would work even more hardship on such an organization than it would on the ordinary social club.

I told Miss Kenyon that I was inclined to sympathize with her point of view but wondered what type of description could be used in a rule which would clearly differentiate the sound consumers' cooperative from the racket. She told me that she had had considerable experience in drafting such descriptions and would be glad to prepare a draft and submit it to me. She said she would also be glad to have me check the accuracy of her description with anyone else I might select but that in all probability if I were to refer it to anyone else who was an expert in the field they would merely return it to her for checking.

Chester T. Lane

October 30, 1937