

# "Flexible or Flawed" Co-op Laws

RICK STEWART:

## "Pigs are authorized to wear lipstick"

To the editor:

After leaving Frontier Natural Products Co-op in 1999, I enjoyed distracting myself with various non-co-op activities such as burying myself in foreign beaches. Much to my surprise, when I recently pulled my head out of the sand, I discovered co-ops have been sold to the highest bidder in my absence.

Not all co-ops, mind you, just the ones to be created in the future, the co-ops that will not have to be inconvenienced by small 20th-century anachronisms like the co-op principles.

I refer to Limited Cooperative Associations (LCAs), being flogged to us as new and improved, by combining the best of co-ops with the best of Limited Liability Corporations (LLCs). New and improved, like white bread. Combining the best of two things to make something better, like fish genes in tomatoes, and sporks.

For readers uninterested in immersing themselves in nitty gritty legal and organizational details, let me provide a concise synopsis. All you need to know about LLCs is they can essentially be used to do anything it is legal to do. They are the silly putty of the corporate world.

Co-ops have some statutory limitations, but have used (not become) LLCs when necessary, typically to raise money from outside investors. Now co-ops can use LCAs to do the same thing—nothing new.

There are problems with LCAs, however, that do not exist when co-ops use LLCs. I guess some things are new—new problems.

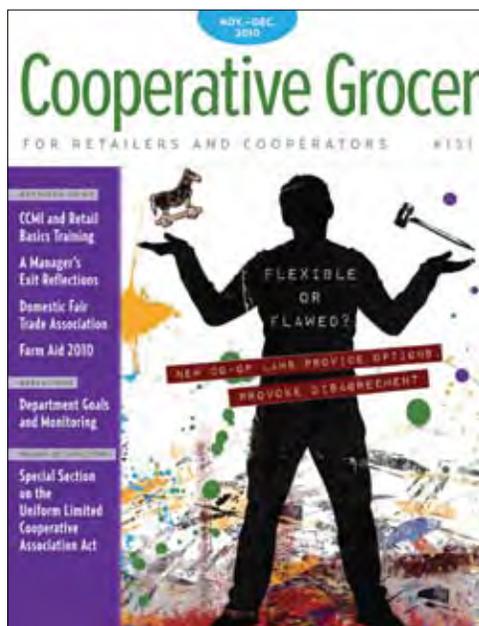
The most egregious of these is the complete abrogation of co-op principles by the LCA statutes. Not that an LCA cannot follow the co-op principles, but that LCAs were specifically invented to circumvent the co-op principles.

Even worse, every LCA is allowed to call itself a co-op, even when it is organized in flagrant violation of co-op principles. Pigs are authorized to wear lipstick.

Let me emphasize: LCAs solve absolutely no problems. They give co-ops no new flexibility. They provide no new financing possibilities. They encourage violation of co-op principles. They permit any ragtag group to hijack the name "co-op."

The conclusion does not appear debatable—we must repeal old laws authorizing LCAs and prevent new laws authorizing LCAs.

So why does everyone fall into an immediate slumber when this issue is brought up? Well, perhaps we need to step outside our own world and



consider an analogous situation. Can anyone actually imagine your local credit union proposing a law to allow Citibank to call itself the Citibank Credit Union? I can't—it's blatantly obvious the barricades would go up and every credit union in the country would fight such a proposal to the bitter end.

So now let's think about our own food co-ops. And let's think carefully. Do you really want to wake up tomorrow morning and find yourself competing against the Whole Foods Co-op, a new LCA created and owned by you know who?

If so, do nothing. Otherwise, mobilize.

—Rick Stewart

LADDIE LUSHIN:

## "A quagmire of vacuous happy-talk"

To the editor:

The cover of your November–December 2010 issue suggests that the misnamed "new co-op laws" (should be "fake co-op laws") have served to "provoke disagreement" on my part. That greatly understates the matter, as I am indisputably the ULCAA's critic-at-large and debunker-in-chief. But what I am indeed provoked to disagree with is the content and editing of that issue's special section on the Uniform Limited Cooperative Association Act (ULCAA). Its five articles can be briefly characterized as follows:

(1) An introduction/overview that trivializes my expansive and documented refutation of the ULCAA as a mere narrowly focused condemnation,

while it exaggerates the flimsy substance of the articles that precede it.

(2) Pitman: A piece scavenged from a longer work that misleadingly purports to bestow an "understanding" of the ULCAA (not Ms. Pitman's title). It acknowledges some of its sinister aspects at least on a theoretical basis, but then, having failed to come to any understanding of its details, it falls prey to the Act's deceptive promotional lingo.

(3) Joyal: A work of little substance that seems contrived on short notice to fill space in opposition to my article. It ignores all of the substance of my article while citing me for two propositions that I never made and never would have made. Like the commentary to the ULCAA, it insinuates investors into cooperative principles by ignoring the first principle that establishes that the members referred to in other principles are only and necessarily the users of the co-op's services.

(4) Reid: The sad story of a co-op that was led into a costly and unnecessary reincorporation—not, however, under the ULCAA or anything similar to it as to specifics, and therefore quite irrelevant to the subject of the ULCAA. But the story has a happy ending since it can now become a fake co-op whenever the "need" may arise. How much do you suppose Mr. Dahlgren told them about the information in my article? [Attorney Joel Dahlgren gave legal advice to St. Peter Food Co-op —*Editor*]

(5) And then comes my article, if anyone can slosh through the muck to get that far and can get past the expectation that my article is only a lot of nay-saying rhetoric. It is admittedly a difficult piece of writing, but how could the debunking of a clever and skillful deception be otherwise?

I am deeply offended that this bundling, editing, and characterizing of materials seems intended to direct attention away from my article and to neutralize it by burying it in a quagmire of vacuous happy-talk. The outside forces behind the ULCAA will surely be pleased at this marginalization of a critique that has been causing them such consternation.

What's going on here? Is the intended message that all is well because the consensus of opinion among supposed leaders in the cooperative sector supports this unprecedented threat to the integrity of co-ops? How long must we suffer this baseless cheerleading for the opening up of the cooperative sector to control and exploitation by investors?

Someone needs to be the adult here and say bluntly what needs to be said. The people who fabricated this deception have debased themselves to the moral equivalent of con men (see my article for details, especially points 1, 3, 4, 5, and 6). The people who parrot their contrived lingo are pawns.