capital tied up in buildings or other permanent outfit the share method is perhaps preferable.

Non-share corporations obtain capital by using the joint and several notes of the members, or their individual notes. These are personal notes payable on demand to the Association and constitute the credit of the members used for acquiring capital. As long as the Association is solvent the notes are not cashed. Where, however, the business has been unsuccessful the liabilities of the Association must be met by these capital notes. In the event of the liabilities having to be met by the notes of any of the members which have been placed as security, all the members must share the liabilities irrespective of which individual notes have been so placed.

By this method also interest is paid on capital only when it is in actual use.

A form of note is suggested:

THE **CO-OPERATIVE ASSOCIATION, LIMITED.**

Capital Note.

$100.00 **Ontario, Canada.**

Jan. 4th, 1915.

On demand I promise to pay The Co-operative Association, Ltd., the sum of One Hundred Dollars, to be used in accordance with the by-laws of the said Association.

Signed .....

.....

RESERVE FUND.

(14) Before any distribution of any surplus funds to be distributed to the shareholders (members) shall be made, there shall be set aside out of such funds of the Association such sum, or sums, not less than ten per cent. in any one year as the Directors may from time to time think proper as a reserve fund, for meeting contingencies, for maintaining or repairing any property of the Association, or for any other such purpose as the Directors shall think conducive to the interests of the Association, but at no time shall the total amount of reserve fund exceed the amount of capital at the disposal of the Association.

NOTE.—Every sound business sets aside a portion of its surplus funds for meeting unexpected difficulties and for repairing its property. Without such a reserve fund a small financial difficulty will often wreck an Association. Usually the reserve fund is limited by the by-laws so that an excessive amount of the profits cannot be kept from the members. Sometimes a Members' Reserve Account is kept so that upon withdrawal, his share of the reserve fund, less a certain percentage for depreciation, may be returned to him. The Association, however, should not bind itself to return such reserve, if doing so would financially injure the Association. Most of the Associations [illegible] provisions whatever for returning any portion of the reserve fund to the [illegible], and this latter is the safer plan.