

CHAPTER I

THE CORPORATE FORM

1. "*Non-stock*" corporations.—Everybody knows in a vague way that a corporation is an association of individuals formed to carry on an enterprise. Comparatively few people, however, understand just what the corporation is in the eyes of the law or the extent and the limitations of its activities. Obviously, the first step in the study of corporation finance should be an examination of the powers and possibilities of this peculiar and wonderfully effective form of organization.

Corporations fall into two distinct groups. There are, first, corporations without capital stock, or "*non-stock*" corporations; to this class belong almost all churches, hospitals, chartered clubs, universities and other strictly social and charitable organizations. The prime characteristic of such corporations is that the members share equally in all the privileges of membership without regard to the amount of money that each may have contributed. There is no arrangement for transacting a money-making business and distributing profits or losses. In fact, non-stock corporations exist either for the common benefit of all the members or for the purpose of serving the public at large. Many interesting questions as to the rights and powers of such corporations might be discussed; but the discussion would be out of place in this volume.

2. "*Stock*" corporations.—We are here concerned only with the second class, namely, "*stock*" corporations;