

SECRETARY OF STATE: BLUE SKY LAW: SECURITIES ACT: Certificate
of interest in profit-sharing agreement
defined.

11-9

November 1, 1934

Honorable Dwight H. Brown
Secretary of State
Securities Division
Jefferson City
Missouri



Dear Mr. Brown:

In Re Universal Service Association (Ill.)- your file No. J.

Receipt of your letter dated October 3, 1934,
with inclosures, in reference to the above association is
acknowledged.

Your letter is as follows:

"Universal Service Association was incorporated not-for-profit in Illinois Aug. 21, 1933. The association has appointed agents at various locations in Missouri to enlist members. A copy of one of their enrollment forms is attached hereto. Universal Service Association claims to be a national university 'demonstrating plenocracy in daily life for American citizens,' and speaks of itself as U.S.A. University. It claims that the enrollment form attached is not a contract, but merely a method of securing 'contributions.' You will note the form includes definite money-back clauses, and table of expected profits on back.

Hon. Edward J. Hughes, Secretary of State of Illinois, wrote me July 26, 1934 as follows:

'I have had a report on the above matter and received various forms of contracts which this company is making. Their

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contracts apparently pertain to the development of agriculture, and being a corporation organized "not for profit" are probably exempt under our Securities Law.

'However, they also appear to be beyond the scope of authority of a corporation "not for profit" to make, and the Corporation Department has issued a rule against the Association to show cause why it should not be certified to the Attorney General for proceedings to dissolve because of its acts in excess of its charter powers.'

On Sept. 17, 1934 Mr. Hughes advised me that the matter was certified to their Attorney General, but he thinks the Attorney General has not yet taken action to oust the corporation. One of their booklets, 'Legal Status of Plenocracy' is also transmitted to you for what it is worth.

Sec. 7726 (e) R. S. 1929 exempts from the scope of the Missouri Securities Act a security issued by a corporation organized and OPERATED exclusively for educational, benevolent, etc. purposes. Sec. 7724 (c) includes within the scope of the Act 'certificate of interest in a profit-sharing agreement.' It is the opinion of the Securities Division that the sale of these contracts in Missouri is in violation of the Missouri Securities Act, and that the 'membership' is a contract offering some kind of participation in a profit-sharing scheme. As a measure of protection to Missouri residents we want to issue an order that they cease and desist from the sale of these contracts in Missouri. Will you please favor me with ruling whether we may do so? "

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Attached to your letter is a so-called application for enrollment in Universal Service Association. The caption and body of the application in full follows:

"This Application enables the UNIVERSAL SERVICE ASSOCIATION to demonstrate PLENOCRACY in American life. PLENOCRACY means the power of plenty- the science of creating abundance for all. Every person enrolled with the USA is a PLENOCRAT. A PLENOCRAT is a person who demands plenty for self and for everybody else.

Enrollment Form Number Two

APPLICATION FOR ENROLLMENT
in the
UNIVERSAL SERVICE ASSOCIATION, Inc.

Of the People By the People For the People
Non-Sectarian -Non-Political -Purely Economic

A National University Demonstrating
Plenocracy in daily life for American Citizens

The Emblem of (U S A) Economic Security

Date.....

DUPLICATE

That I may be able to live a life of PEACE, PROSPERITY and HAPPINESS and obtain Economic Security, and with the aid, instructions and labor of the UNIVERSAL SERVICE ASSOCIATION provide myself a city, suburban or little farm home, or cash annuity for life and thereby provide the means of life for myself and dependents, I enroll with the UNIVERSAL SERVICE ASSOCIATION.

I am interested in the work now being carried on by the UNIVERSAL SERVICE ASSOCIATION and desire to aid it in its work by contributing \$..... per month hereafter for a period of sixty months on or before the 20th day of each month, to its general office at 6 North Michigan Avenue, Chicago, Illinois, for use by it during this five year period.

First: Two of the monthly contributions made by me during the five years and \$5.00 in addition each year for the period of five years are for use by the UNIVERSAL SERVICE ASSOCIATION for extension work.

Second: The remaining monthly contributions made by me are for use by the UNIVERSAL SERVICE ASSOCIATION in coordinating MONEY, LABOR and LAND to produce an increase from the natural resources of the earth, the increase to be distributed according to the 'Little Farms Ownership Table' or the 'Natural Increase Table' of the UNIVERSAL SERVICE ASSOCIATION, as shown on the reverse side hereof, and specifically stated in paragraphs three and four hereunder.

Third: Out of the products received from the natural resources of the earth, the UNIVERSAL SERVICE ASSOCIATION is to credit me at the expiration of five years, with the total amount of my monthly contributions and 150% of the natural increase thereon for the period of five years, and such five year period is always understood to be the time in which my sixty monthly contributions have been made regardless of the date of my application.

Fourth: If occasion demands and I notify the UNIVERSAL SERVICE ASSOCIATION in writing at any time that I desire cash at the expiration of any year, I understand that sufficient products, resulting from the use of my monthly contributions will be converted into cash to return to me an amount equal to the natural increase thereon of 30% annually.

Fifth: In case I should not make the full sixty monthly contributions as contemplated and have contributed an amount of \$40.00 or more, I understand that the UNIVERSAL SERVICE

ASSOCIATION desires to deliver to me at the expiration of five years the amount contributed plus the natural increase obtained from the use thereof, not exceeding 30% annually for the period of five years. This action will be satisfactory to me, with the further understanding that contributions aggregating less than \$40.00 are hereby donated to the UNIVERSAL SERVICE ASSOCIATION for the good of the cause.

In the event of my death, I designate

Name of beneficiary

to take my place and be entitled to the same service and natural increase that I would be if living.

Whatever surplus is produced after I have received the total amount of my monthly contributions and the natural increase of 30% annually or 150% in five years, shall belong to the UNIVERSAL SERVICE ASSOCIATION for its expenses and future University extension work."

On the back thereof is the following:

"LITTLE FARMS OWNERSHIP TABLE

Showing the Average of Results to Be Obtained by the UNIVERSAL SERVICE Plan in Five Years Operation and Applicable on Land Ranging in Price from \$50.00 to \$300.00 Per Acre.

Example-

Contribute \$1.00 per month for five years and receive deed to 'Little Farm' of not less than $\frac{1}{2}$ acre, nor more than 3 acres, worth \$150.00, or take your share of the increase in cash from special crops grown by Intensive Farming Methods.

You Contribute Each Month	For 60 Months	Natural Increase Added in 5 years	Total Available in Cash in 5 Yrs.	Number of Acres of Land	Number of acres of Land.
\$1.00	\$60.00	\$90.00	\$150.00	1/2 acre	3 Acres
2.00	120.00	180.00	300.00	1 acre	6 Acres. "

Then follows a table of results when from two to twenty-five dollars, both inclusive, may be contributed.

Then follows a table showing tables exemplifying the manner in which the Universal Creative Principle works. The Plan when the payment of \$1.00 per month is exemplified, is as follows:

NATURAL INCREASE TABLE

Based on the way the Universal Creative Principle works
Prepared from Agricultural Statistics for the
UNIVERSAL SERVICE ASSOCIATION, Inc.

Accumulated Monthly)
Contributions (Cash)
Plus Total (Annuity)
Gain in five (each year)
years- (after the)
(five)
-if you)-if you(five years if)
take)allow (no with-)
your)your (drawals)
Annual)Annual(are made.)
gain @)Gain @ ()
30% at)to com()
the end)pound ()
of each)for ()
yearly)you ()
period.)over ()
) the ()
) full ()
) five ()
) years.()

Month-ly Con-tribu-tions of)1st Year)2nd Year)3rd Year)4th Year)5th Year)
)12 Months)24 Months)36 Months)48 Months)60 month)

\$1.00 Per Month	1st Year	2nd Year	3rd Year	4th Year	5th Year				
Total Accumulation.....	\$12.00	\$24.00	\$36.00	\$48.00	\$60.00	\$60.00	\$60.00	\$60.00	Annuity
Annual Gain									
@ 30%.....	3.60	7.20	10.80	14.40	18.00	54.00	90.00	\$45.00	"
Result of your cooperation after five years-Total						\$114.00	\$150.00		"

In the tract apparently issued by the Universal Service Association, and attached to your letter, is a quotation from the great political economist, John Stuart Mill, that:

"All matters relating to thought, opinion, conscience, is without the sphere of legislation."

On page two is the very clear and illuminating statement that,

"A relationship of individual voluntary action by STATUS leaves the result in the 'forum of the conscience' of the individual, in which domain no man-made laws can be applied. The 'forum of the conscience' is a domain in which the individual is referred to his own will and upon which government shall neither encroach itself, nor permit encroachments from any other quarter."

The foregoing presents a fair picture of the philosophy and plan of the so-called Universal Service Association. Acknowledging the right to the utmost freedom of thought and expression, it remains to be seen whether or not the operation of the association is above and beyond the law.

From all that may be gathered in the descriptive matter contained in the application and attached prospectus, the lands to which the members may be entitled on maturity of the contract might lie on the plains of Abraham or in the midst of the Sahara Desert, nor, from all that appears, are the members advised as to the kind and character of the land they may hope to acquire nor as to the exact extent of acreage of same. Furthermore, the statement of the purposes and objects of the association bears not the remotest

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relation to the work ordinarily engaged in by universities. It does appear that the business address of the association is 6 N. Michigan Avenue, Chicago, Ill. The tempting and alluring provisions that the association is to credit the member at the expiration of five years, with the total amount of his monthly contributions and 150% of the natural increase thereon for the period of five years, and further that if occasion demands, upon notice, the association will pay the member at the expiration of any year 30% of the amount paid in, and if the member should not make the full five year payments and should pay in more than forty dollars, then the association, at the expiration of five years, will pay the member the amount paid in plus the natural increase obtained from the use thereof, not exceeding 30% annually for the period of five years, are all set out in no indefinite and uncertain language.

2.

A certificate of stock in a corporation is described as an evidence of title in the stock of the corporation.

Watson v. Sidney F. Woody Printing Company
56 Mo. App. 145.

CONCLUSION.

We are of the opinion that the application for membership and the receipt attached thereto constitutes a certificate of interest within the meaning of Section 7724(c) Revised Statutes Missouri 1929, and that the plan set forth in such certificate is a profit-sharing agreement within the meaning of the last named section, and that the Securities Division of your office would be justified in issuing a cease and desist order in connection

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with the same, of course, according to due process of law.

We are returning you your inclosures herewith.

Yours very truly,

GILBERT LAMB
Assistant Attorney General.

APPROVED:

ROY McKITTRICK
Attorney General.

GL:LC

Inclosures