February 7, 1986

Mr. Floyd Morrow, Pres.
Basic Economic Education
2100 Morley Street
San Diego, California 92111

Dear Floyd:

Subject: Fairhope Single Tax Corporation

Dian has forwarded to us, as well as other concerned Georgists, information about the FSTC Circuit Court decision. You took leadership in 1977 by doing a mailing asking for letters of support for FTSC when the Alabama legislature was considering a dissolution bill. This is a legal matter, so it seemed logical to assume you probably would determine appropriate action and perhaps do a mailing again to Georgists asking for help.

Last fall I compiled a proposed column on Fairhope for WPOL's quarterly newsletter and submitted it to Dian for approval. A copy of that column is enclosed (her correction to a paragraph on page 3 is affixed with tape.) Further attached is a copy of my summary on ILAT's 1977 mailing, Dian's and Claude's comments at the St. Louis Conference, and my synopsis of Judge Prarrer's decision on points most relevant to the Georgists. (This was the first I had heard about FSTC attempting to dissolve and reorganize as a "For Profit" Corporation; or about oil, gas and minerals royalties; or about authorization of Fairland Subdivision. Most of the other points of the decision seem to be remedies.)

If a mailing is sent to Georgists seeking specific action on behalf of Fairhope, and if the enclosed material would (in part or in total) be useful to attach for background information, it is herewith enclosed for such use.

Yours truly,

Nadine W. Stoner
Pres., WPOL-Beloit
1118 Central Ave., Beloit, Wis. 53511

Encls.

Copies: Claude & Dian Arnold, Rt. 1, Box 297, Fairhope, Ala. 36532
Dr. Steven B. Cord, Pres., IKPA, 6077 Loventree Rd., Columbia, Md. 21044
✓ Mr. Robert Clancy, Chair., CGO, 5 E. 44th St., N.Y., N.Y., 10017
Mr. O. Johannsen, R. Schalkenbach Fndn., 5 E. 44th St., N.Y., N.Y. 10017
Dr. Mason Gaffney, 3040 Tyler St., Riverside, Calif. 92503

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UPDATE ON FAIRHOPE SINGLE TAX CORPORATION

References:
April 20, 1977 Notice to Members, Land Equality and Freedom, San Diego, Calif.
July 20, 1985 Speeches of Claude & Dian Arnold of Fairhope, Ala., at Georgist Conference, St. Louis, Mo.

The Fairhope Single Tax Corp. collects economic rent on land values semi-annually, and the plan was to have an annual reappraisal. During the late 1960s the Executive Council discussed that an evaluation was needed to do a proper appraisal. It had been about 15 years since any changes, and university economics professors were invited in. They observed there was a problem, and commented the colony had within its population the professional intellect to resolve it.

A rent study committee was formed which worked diligently for a year, developing a reappraisal system as clear of human error as they could manage. They depended on devices and measurements to effect evaluation techniques, and had computer help. Everybody's rent was reassessed, and the Executive Council adopted a 10% increase because of inflation. Notices went out explaining why there was an increase. A thousand lessees had been paying phenomenally low rent, while the business district had been bringing in more to pay taxes.

Dissident Fairhopers reacted by blaming the Corporation for ineffective management. They formed an organization with the stated intention to have the FSTC charter dissolved. They went to Court; the judge listened to them and said you don't have a case. Every one of you signed a lease contract that every lawyer says is valid. The persistent dissidents, 20 people out of over 1200 lessees, filed a lawsuit. They are attempting to get the Court to give every lessee a vote in the Corporation. Since 1969 three times the judge has said he would hear the case, but it has not been settled. In the meantime, FSTC is not allowing any more new memberships. An unfair decision could affect the validity of every contract in the country of any company leasing land.

In 1977 the dissidents introduced bills in the State Legislature to dissolve the Fairhope Single Tax Colony by January 1, 1980. The Legislature would not pass the bills, realizing if they dissolved this private enterprise corporation, what would be next? The Legislature noted the Corporation owns the land, the dissidents signed a contract, and the Corporation had not broken that contract.

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1986 FAIRHOPE COURT DECISION

On January 21, 1986, Judge J. Richmond Pearson, in Circuit Court for Baldwin County, Alabama, ruled on Rudolph John Ketner, Sr., et al, plaintiffs, vs. Fairhope Single Tax Corporation, et al., defendants (Consolidated Case Numbers VC-79-500061 & CV-80-500061. Fairhope Single Tax Corp. will appeal the decision.

The judge concluded Section 10-4-194 Code of Alabama (1975) is unconstitutional in that it only applies to "corporations demonstrating the single-tax principle" and does not apply to other associations incorporating under Section 10-4-190, et sec., Code of Alabama (1975).

A nonprofit corporation whose purpose is charitable is a charitable corporation. The dissemination of a rational belief or doctrine constitutes an educational purpose. FSTC is a nonprofit corporation created under the laws of Alabama for the charitable purposes expressed in its Articles of Incorporation and is therefore a charitable corporation.

FSTC, acting through its officers, and the individual defendants, are permantly enjoined from dissolving or attempting to dissolve FSTC in any manner whatever.

Non-member lessees are not entitled to vote in the affairs of FSTC. There shall be two categories of membership in FSTC: members who are lessees of FSTC lands who shall have all rights of membership, including the right to vote on all issues that may come before the Corporation and the right to hold any office in said corporation; and members who do not lease FSTC lands and who shall enjoy benefits of membership, except they shall not be entitled to hold any office in FSTC nor vote on any issue that may come before the corporation other than a (changes) in the Constitution.

The present method of determining rents is hereby abolished. The Executive Council shall appoint a Rent Study Commission to develop a more equitable system of rent determination. Said system shall be presented to the Executive Council for approval and shall be presented to the voting membership for its approval at the regular annual election on the first Thursday in February 1987.

All rents shall be frozen at the present rates until said new system of determing rents is approved by the membership and recommendations for annual rentals are made and approved under said new system.

The policy of FSTC whereby it restricts the sale of improvements by its lessees to a purchase price approved by FSTC is hereby declared void.

FSTC shall not accumulate a cash surplus in excess of two times its annual expenses.

The Court retains jurisdiction of this case indefinitely for the purpose of implementing, reviewing, modifying and enforcing the terms thereof.