

**NATIONAL BLACK YOUTH NETWORK**

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MEMORANDUM

TO: Congressman Walter E. Fauntroy  
FROM: Charles J. Moreland, Chairman  
SUBJ: National Black Youth Network  
DATE: March 18, 1981

The wave of violence directed against Black youth and the acceleration of officially orchestrated aggression against government programs and policies which benedit Black youth, have proved conclusively the need for a strong Black youth institution.

At the national level, intergenerational tensions are being exacerbated by administration budget cutters who pit the dependent generations -- the elderly and the young -- against each other by insinuating that the funds for one group should come at the expense of the other.

It is in this climate that we have sought, under your direction, to build the National Black Youth Network. At the outset, our efforts were received with an air of doubtful benevolence among Caucus staffers. There were some exceptions and we were able, primarily through the assistance of Cheryl Webber, to forge an unspoken and unarticulated relationship which allowed us to utilize the resources of the Caucus to begin our organizing efforts.

More recently, however, all doubt about our seriousness has been removed and in its place there has appeared some uncertainty among Caucus staffers about the propriety of the close relationship between the Congressional Black Caucus, Inc. and the National Black Youth Network -- an entity perceived by them to be totally autonomous.

In all fairness to the parties involved, the uncertainty does not center on how we will work together -- we have worked out a very good practical field relationship -- but rather on the formal relationship and its legal ramifications. My discussion, therefore, will focus on the several possible relationships that may be developed.

Broadly stated, what the NBYN wants is a compact with the Congressional Black Caucus which will allow us to recruit large

numbers of Black youth from broad cross sections of the country and plug them into the NBLR Network, and at the same time build a viable institution committed to the improved well-being of Black youth.

There are several ways of approaching the development of such a relationship.

Carl Green has proposed that members of the NBYN be placed on the various committees of the NBLR Network and that a youth be identified and recognized to work alongside the NBLR Network coordinators at the state and C. D. level, creating what he calls a "Youth Component."

This proposal is sound in terms of a practical relationship between the two organizations. It is a proposal which we are prepared to implement immediately; however, the practical and non-legal considerations have their legal aspects also and the proposal leaves unanswered the following legal questions:

1. Will the National Black Youth Network still exist as a recognizable entity?
2. If so, will it be able to print its own letterhead and stationary?
3. What will be the governing body of the Network?
4. Will it be called "The Congressional Black Caucus Black Youth Network"?
5. Will it have its own bank account?
6. Will its operatives be agents or employees of the Congressional Black Caucus, Inc.?
7. Will the debts and liabilities of the National Black Youth Network be imposed on its parent, the CBC, Inc.?
8. Will the NBYN have the authority to raise funds?  
If so, who will control those funds?

If the practical proposal is implemented without addressing these legal issues, the result will be a dissolution of the National Black Youth Network. The members have already expressed apprehension about continuing to function without the protection of a corporate shield -- either the CBC's or our own. Cheryl Webber and Robert Ware have prohibited the use of their names in connection with the National Black Youth Network on stationary or on brochures until the relationship is cleared up and until some protection from individual liability is established. This presents a serious problem and cannot be glossed over or ignored any longer.

The real issue here is whether we will operate as a subsidiary of the Congressional Black Caucus, Inc. or incorporate as a separate entity with a strong relationship with the CBC cemented by an identical networking purpose.

There are great risks attendant on the conduct of business between parent and subsidiary. Where the parent corporation exercises complete dominion over and obtrusively interferes with the subsidiary's operations, an agency relationship will be found, resulting in the subsidiary's activities being treated as those of the parent -- or visa versa. The corporate veil will be pierced and the parent will then be held liable. Although there is no definitive judicial standard by which to determine whether to pierce the corporate veil, that decision will generally be made when the court finds 1) dominance of the subsidiary by its alter-ego parent or 2) unity of ownership to the extent that there is but one fund for the operation of the two entities.

If the subsidiary route is taken, great care must be taken that the:

- (a) Subsidiary have its own assets, clearly earmarked and recorded on its own records,
- (b) Subsidiary have its own bank account and that there be no comingling or use of its funds for the account of the parent,
- (c) Subsidiary's corporate books be kept formally and in due order, and
- (d) Subsidiary's board of directors not be dominated by board members of the parent.

Another option is to incorporate the National Black Youth Network separately as a totally different corporation. The purpose of this corporation would be to help and assist the NBLR in the building of a single Action Alert Communications Alert Network. The CBC could be listed on the corporate letterhead as sponsor, convenor, or the like and avert the danger of incurring liability for the Network's action. The National Black Youth Network would enter into an agreement whereby it will be obligated to supply the CBC with the vital data on all its members and participants in exchange for inkind services and grants. The two entities would work in unison when action alerts are sounded. Other particulars in the practical working relationship could be worked out without doing damage to the separate corporate identities.

I have taken the liberty of discussing the above with your legislative counsel, Mr. Howard Lee. He suggested that the proper relationship is for the NBYN to incorporate as a totally separate entity. I concur.

The latter alternative is simple. Legally it should present no problems. Practically, it will give both the Caucus and the NBYN the freedom to operate. The Caucus might desire for the Youth Network to do things, take positions, and/or oppose individuals that it may not be prudent for the Caucus to be associated with.

On the otherhand, the subsidiary is not only technically difficult, it is wrought with potential liability for the two entities as well as the individuals who make decisions for the entities.

My suggestion, then, is simple: 1) allow the National Black Youth Network to use the CBC, Inc. on their letterhead and other publications as sponsor or convenor, 2) encourage CBC members under the age of 36 to sit on the NBYN Board of Directors, 3) encourage CBC members to serve on the Board of Advisors of the NBYN and 4) continue the good working relationship between the two.

cc: Clifton Smith  
Carl Green