### Definitions


*Cash* includes cheques, electronic fund transfers, IOUs, promissory notes and money orders.

*Member* a holder of a Founder, Labour, User or Investor Share.

*Beneficiary* a service user, member holding only Investor Shares, or company listed in Clause 54 as a beneficiary of the community dividend.

*Qualifying Contribution* means a commitment to trade with the Co-operative in a way that meets the criteria for membership. Qualifying contributions are set for Labour Shareholders and User Shareholders only.

*Quorum* a meeting in which a sufficient number of people are present to take decisions.

*Ordinary Resolution* means a proposal accepted by a majority of votes cast on a one-shareholder, one-vote basis, irrespective of shareholder class, subject to any adjustments provided for in Clause 23 and 24 of these rules.

*Special Resolution* means a proposal accepted by a majority of votes cast in each shareholder class separately, on a one-shareholder-one-vote basis, plus at least 75% of all members irrespective of shareholder class on a one-shareholder-one-vote basis.

*Reserves* exclude the current year’s profit and loss account.

*Labour Shares* are shares owned by a member who makes qualifying labour contributions to the Co-operative, entitling her or him to participate in Co-operative governance and receive a share of surplus. For the purposes of clarity, any person recognised in UK Employment law as a ‘worker’ will qualify for Labour Shares if they make a qualifying contribution.

*User Shares* are shares owned by a member who makes a qualifying contribution through their trading or usage of the Co-operative’s products/services, entitling her or him to participate in Company governance and receive a share of surplus. For the purposes of clarity, any person recognised as a beneficiary or a customer of the co-operative will qualify for User Shares if they make a qualifying contribution.

*Investor Shares* are shares owned by a member who invests unremunerated labour or equity capital entitling him or her to a share of the Co-operative’s assets and surplus.

*Founder Shares* are shares owned by a founder of the Co-operative, entitling them to participate in governance.

*IPS* is a former Industrial and Provident Society, now a Co-operative Society.

*CIC* is a Community Interest Company.

### Table

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<thead>
<tr>
<th>Clause</th>
<th>Cooperative</th>
<th>Company</th>
<th>Association</th>
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<td><em>the Act</em> means the Co-operatives and Community Benefit Societies Act 2014 and amendments in subsequent Acts.</td>
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<td><em>Investor</em> is an individual or organisation that invests or donates financial capital to support the Association’s objectives.</td>
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<td><em>Founder</em> is a person who established the Association and who, by virtue of being a founder, has specific rights to contribute to its governance.</td>
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Clause Co-operative Company Association

2 Regulations in Companies Act 2006 do not apply unless they are referenced directly in these rules, or are required by statute. Regulations in Table A in the Schedule to the Companies Regulations 1985, and subsequent instruments. If the Association is unincorporated, statutory regulations do not apply unless referenced directly in these rules. The Association is subject to statutory regulation according to the Act used for its incorporation. If the Association is unincorporated, statutory regulations do not apply unless referenced directly in these rules.

3 The name of the Co-operative society is [CO-OPERATIVE NAME] The name of the Company is [COMPANY NAME] The name of the Association is [ASSOCIATION NAME]

4 The registered office of the Co-operative is [Address] (in Great Britain or the Channel Islands) The registered office of the Company is in [England and Wales] The office of the Association is [Address] (in [England and Wales]).

5 The Co-operative’s objects are: a. to engage in commerce and social activities that spread wealth and power amongst the Co-operative’s primary stakeholders (producers, employees, customers and service users); b. to promote self-help activities that are economically, socially and environmentally sustainable, and which improve the well-being of the Co-operative’s primary stakeholders; c. to promote the development of social entrepreneurship; d. to advance Co-operative Values and Principles that create social capital through participatory management and democratic governance processes; e. to abide by the internationally recognised values and principles of co-operative identity as defined by the International Cooperative Alliance (ICA), in particular the values of self-help, self-ownership, equality, solidarity and the ethical values of honesty, openness, social responsibility and caring for others; f. to abide by the principles of equality of opportunity and oppose forms of discrimination on the grounds of social class, race, ethnic origin, gender, sexual preference, age, disability and religion; and (Add other community interest / public interest objectives here).

The Co-operative objects are: a. to engage in commerce that spreads wealth and power amongst the Company’s primary stakeholders (producers, employees, customers and service users); b. to pursue trading activities that are economically, socially and environmentally sustainable, and which improve the well-being of the Company’s primary stakeholders; c. to promote the development of social entrepreneurship; d. to advance Co-operative Values and Principles that create social capital through participatory management and democratic governance processes; e. to abide by the internationally recognised values and principles of co-operative identity as defined by the International Cooperative Alliance (ICA), in particular the values of self-help, self-ownership, equality, solidarity and the ethical values of honesty, openness, social responsibility and caring for others; f. to abide by the principles of equality of opportunity and oppose forms of discrimination on the grounds of social class, race, ethnic origin, gender, sexual preference, age, disability and religion; and (Add other community interest / public interest objectives here). The Company’s objects are: a. to engage in commerce that spreads wealth and power amongst the primary stakeholders (producers, employees, customers and service users); b. to pursue trading activities that are economically, socially and environmentally sustainable, and which improve the well-being of the Company’s primary stakeholders; c. to promote the development of social entrepreneurship; d. to advance Co-operative Values and Principles that create social capital through participatory management and democratic governance processes; e. to abide by the internationally recognised values and principles of co-operative identity as defined by the International Cooperative Alliance (ICA), in particular the values of self-help, self-ownership, equality, solidarity and the ethical values of honesty, openness, social responsibility and caring for others; f. to abide by the principles of equality of opportunity and oppose forms of discrimination on the grounds of social class, race, ethnic origin, gender, sexual preference, age, disability and religion; and (Add other community interest / public interest objectives here).

The Association’s objects are: a. to engage in activities that improve the well-being of the Association’s primary stakeholders (producers, employees, customers and service users); b. to pursue trading activities that are economically, socially and environmentally sustainable, and which improve the well-being of the Association’s primary stakeholders; c. to promote the development of social entrepreneurship; d. to advance Co-operative Values and Principles that create social capital through participatory management and democratic governance processes; e. to abide by the internationally recognised values and principles of co-operative identity as defined by the International Cooperative Alliance (ICA), in particular the values of self-help, self-ownership, equality, solidarity and the ethical values of honesty, openness, social responsibility and caring for others; f. to abide by the principles of equality of opportunity and oppose forms of discrimination on the grounds of social class, race, ethnic origin, gender, sexual preference, age, disability and religion; and (Add other community interest / public interest objectives here).

The liability of members is limited. The liability of members is limited. The liability of members is defined by the Act used to incorporate the Association.

The Co-operative has the power to do anything which is incidental or conducive to the furtherance of its objects subject to constraints specified in these Articles of Association. The Company has the power to do anything which is incidental or conducive to the furtherance of its objects subject to constraints specified in these Articles of Association. The Association has the power to do anything which is incidental or conducive to the furtherance of its objects subject to constraints specified in these Articles of Association.


These shares may be altered only by Special Resolution of all shareholder classes, i.e. passed by a majority of votes cast in each shareholder class separately and an overall 75% of members in favour, on a one-shareholder, one-vote basis. These shares may be altered only by Special Resolution of all shareholder classes, i.e. passed by a majority of votes cast in each shareholder class separately and an overall 75% of members in favour, on a one-shareholder, one-vote basis. These Articles of Association may be altered only by Special Resolution of all member classes, i.e. passed by a majority of votes cast in each member class separately, plus an overall 75% of members in favour, on a one-member, one-vote basis.

Membership, Capital and FairShares Branding

Membership, Capital and FairShares Branding

Membership, Capital and FairShares Branding

10 Membership and Share Capital. The Co-operative is open to applications for membership in the form of a share in the capital of the Co-operative to buy, sell or transfer that share, without discrimination, subject to the conditions agreed by members in General Meeting. A list of qualifying contributions will be made available for each class of share, and will specify: the conditions under which a Labour and/or User share will be issued; the transactions with the Co-operative that qualify an applicant for membership in each class separately; the rights and conditions attaching to shares; If there are qualifying contributions for Labour and User Shares, the Co-operative may be branded as a FairShares Social Co-operative.

Membership and Share Capital. The Company is open to applications for membership in the form of a share in the capital of the Company to buy, sell or transfer that share, without discrimination, subject to the conditions agreed by members in General Meeting. A list of qualifying contributions will be made available for each class of share, and will specify: the conditions under which a Labour and/or User share will be issued; the transactions with the Company that qualify an applicant for membership in each class separately; the rights and conditions attaching to shares; If there are qualifying contributions for both Labour and User Shares, the Company may be branded as a FairShares Social Enterprise.

Membership. The Association is open to applications for membership in the form of a share in the capital of the Association to buy, sell or transfer that share, without discrimination, subject to the conditions agreed by members in General Meeting. A list of qualifying contributions will be made available for each class of share, and will specify: the conditions under which a Labour and/or User share will be issued; the transactions with the Association that qualify an applicant for membership in each class separately; the rights and conditions attaching to shares; If there are qualifying contributions for both Labour and User Members, the Association may be branded as a FairShares Association.

If there are qualifying contributions for User Shares, but no qualifying contributions for Labour Shares, the Co-operative may be branded as a FairShares User Co-operative; and if there are no qualifying contributions for Labour Shares, the Co-operative may be branded as a FairShares Worker Co-operative.

If there are no qualifying contributions for either User or Labour Shares, the Co-operative is not a FairShares Co-operative, and shall not be entitled to use the FairShares branding, or call itself a FairShares Company / Social Enterprise.

If there are qualifying contributions for Labour Shares, the Company may be branded as a FairShares Employee-Owned Social Enterprise.

If there are qualifying contributions for Labour Shares, the Company may be branded as a FairShares Co-operative.

If there are no qualifying contributions for either User or Labour Shares, the Company is not entitled to use the FairShares branding, or call itself a FairShares Company / Social Enterprise.

These Articles of Association may be altered only by Special Resolution of all member classes, i.e. passed by a majority of votes cast in each member class separately, plus an overall 75% of members in favour, on a one-member, one-vote basis.

(a) Members who satisfy membership criteria shall be issued Labour and/or User shares reflecting their relationship to the co-operative within the terms set out in the Co-operative’s application form. The rights and conditions attaching to shares are:

(i) Founder Shares: issued at a par value to the natural or legal persons who found the enterprise; non-transferable; one vote per shareholder at General Meetings; to fixed preference dividend; forfeited on holder’s death, bankruptcy or insolvency; cancelled without payment on winding up.

(ii) Labour Shares: issued at a par value to natural or legal persons who make at least one qualifying contribution in respect of labour provided to the co-operative; issued in proportion to their labour contribution; non-transferable; forfeited on holder’s death, bankruptcy or insolvency; cancelled upon cessation of contract pertaining to the labour contribution; cancelled without payment on winding up.

(iii) User Shares: issued at a par value to natural or legal persons who make a qualifying contribution in the use of the co-operative’s products and services; non-transferable; one vote per shareholder at General Meetings; forfeited on holder’s death, bankruptcy or insolvency; cancelled upon the cessation of a qualifying contribution.

The rights and conditions attaching to shares are:

(i) Founder Shares: issued at a £1 par value to the natural or legal persons who found the enterprise; non-transferable; one vote per shareholder at General Meetings; to fixed preference dividend; forfeited on holder’s death, bankruptcy or insolvency; cancelled without payment on winding up.

(ii) Labour Shares: issued at a par value to natural or legal persons who make at least one qualifying contribution in respect of labour provided to the co-operative; issued in proportion to their labour contribution; non-transferable; one vote per shareholder at General Meetings; forfeited on holder’s death, bankruptcy or insolvency; cancelled upon cessation of contract pertaining to the labour contribution; cancelled without payment on winding up.

(iii) User Shares: issued at a par value to natural or legal persons who make a qualifying contribution in the use of the co-operative’s products and services; non-transferable; one vote per shareholder at General Meetings; forfeited on holder’s death, bankruptcy or insolvency; cancelled upon the cessation of a qualifying contribution.

Membership. The Association is open to applications for membership in the form of a share in the capital of the Association to buy, sell or transfer that share, without discrimination, subject to the conditions agreed by members in General Meeting. A list of qualifying contributions will be made available for each class of share, and will specify: the conditions under which a Labour and/or User Membership will be offered; the transactions with the Association that qualify an applicant for membership in each class separately; the rights and conditions attaching to shares; If there are qualifying contributions for User Members, the Association may be branded as a FairShares User Association.

If there are no qualifying contributions for either User or Labour Members, the Association is not a FairShares Association, and shall not be entitled to use FairShares branding, or call itself a FairShares Association.

(a) Members who satisfy membership criteria shall be accepted as Labour and/or User Members reflecting their contribution to the Association in terms set out on the Association’s application form. The rights and conditions attaching to shares are:

(i) Founder Membership: non-transferable; one vote per member at General Meetings; cancelled on the member’s death, bankruptcy or insolvency, cancelled on winding up.

(ii) Labour Membership: offered to natural or legal persons who make at least one qualifying contribution in respect of labour provided to the Association; non-transferable; one vote per member at General Meetings; cancelled on the member’s death, bankruptcy or insolvency, cancelled on cessation of the qualifying contribution; cancelled on winding up.

(iii) User Membership: offered to natural or legal persons who make a qualifying contribution through use of the association’s products and services; non-transferable; one vote per member at General Meetings; cancelled on the member’s death, bankruptcy or insolvency, cancelled upon cessation of the qualifying contribution; cancelled on winding up.
Clause 11

Redemption and Transfer of Investor Shares.

(a) Providing a member is not in debt to the Co-operative, their Investor Shares may be redeemed under the following terms using capital in the Co-operative's Redevelopment Fund. The Redevelopment Fund is limited to one half of the Co-operative's Reserves at the start of the accounting period.

(i) If the Redevelopment Fund contains no funds, members' Investor Shares may not be redeemed except to settle a claim by a member's next of kin following the member's death.

(ii) Investor Shares can be redeemed after [3] years, on termination of membership or retirement or death or insolvency.

(iii) If the Redevelopment Fund contains insufficient funds to satisfy all redemption requests, the members holding Investor Shares longest will be redeemed first.

(iv) Investor Shares may be transferred (with compensation at par value) to institutions in accordance with Clause 10(a)(ii).

(b) The 5 members with the largest number of Investor Shares should be listed, together with their contact details, at the start of the register of members.

(c) Nothing in these rules requires title to securities to be evidenced or transferred by a written instrument if the Act permits otherwise.

Clause 12

Equity Capital Stakes.

The number of Investor Shares (equity) that can be bought or allocated to a member is capped by the Act. Subject to this cap, the following rules apply:

(a) Every natural and legal person (director, employee, supplier or self-employed contractor) who makes a qualifying contribution will be offered Labour Shares proportionate to their qualifying contributions at the conclusion of any probationary period agreed by the Company. They will also be offered a chance to purchase Investor Shares to the value of [15%] of their initial labour contract (i.e. a person’s annual salary, or projected annual value of the contract for services) after 366 days (1 year + 1 day) of continuous service;

(b) Every natural and legal person (user, customer) who makes a qualifying contribution will be offered User Shares in proportion to their qualifying contributions. They will also be offered a chance to purchase Investor Shares to the value of [15%] of the value of their product and service purchases from the Co-operative;

(c) The Co-operative may organise a third-party loan or grant of money for an existing member for the purpose of establishing their Investor Shareholding;

(d) Subject to special resolution, the provisions in clauses 12(b) and (c) can be applied to other legal entities (companies, co-operatives, associations, charities etc.) who support

Clause 13

Equity Capital Stakes.

The Association will not issue Equity Capital Shares (shares) to members or third parties.

Note: The Act permits otherwise.

Clause 14

Equity Capital Stakes.

The Association will not issue Equity Capital Shares (shares) to members or third parties.

Note: The Act permits otherwise.
The work of the Co-operative:

(e) The Management Committee (MC) shall not be entitled to withhold share offers or prevent share transfers, or reject applications for membership on the grounds of social class, age, politics, race, creed, religion, culture, ethnic origin, sex or sexual orientation, marital status or disability.

(f) Subject to special resolution, the provisions in clauses 12 (a) to (d) can be applied to other legal entities (companies, co-operatives, associations, charities etc.) who support the work of the Company.

(g) The Directors shall not be entitled to withhold share offers or prevent share transfers, or reject applications for membership, on the grounds of social class, age, politics, race, creed, religion, culture, ethnic origin, sex or sexual orientation, marital status or disability.

13 Valuation.

(a) Pre-emption rights are excluded.

(b) The Co-operative is to be valued at the start of every financial year, and this is the "Reference Value".

(c) At incorporation, the Reference Value of the Co-operative is £0.

(d) Thereafter, the Reference Value shall be calculated from the book value of fixed assets plus 20 (twenty) times the Investor Share for the previous accounting period (see Clause 44).

(e) A Class Resolution can require revaluation of the Co-operative or any of its assets.

14 Share Issues

(a) The Co-operative may only issue new Labour, User or Investor shares at par value.

(b) Excluding issues of Member Shares, a "Major Issue" of Investor Shares (increasing issued Investor Shares by more than 50% within 6 months) must be at a share price agreed by ordinary resolution.

(c) Any other issue of Investor Shares should be at the Fair Price (see 15 (b) and 15 (c)).

15 Capital Gains and Member Shares.

(a) The "Capital Gain Fraction" is 0.5, and may be changed only by special resolution.

(b) If the Co-operative's value at the end of an accounting period (the "New Value") is greater than its Reference Value, then Capital Gain = (New Value – Reference Value) x (Capital Gain Fraction) and:

the "Workers' Gain" is Capital Gain / 2;
the "Users' Gain" is Capital Gain / 2;
"Member Shares" equals 1 share for each £1 of Capital Gain.

This number of Member Shares shall be issued as Investor Shares to Labour and User Shareholders by any of the following means:

(i) Issuing new Investor Shares to the value of Workers' Gain credited as fully paid to those holding Labour Shares in proportion to the number of Labour Shares held at the commencement of the accounting period;
(ii) Issuing new Investor Shares to the value of Users' Gain credited as fully paid to those holding User Shares in proportion to the number of User Shares held at the commencement of the accounting period;
(iii) Transferring the ownership of Investor Shares (with compensation at par value) from existing investor shareholders who wish to sell to Labour Shareholders in proportion to the number of Labour Shares held at the commencement of the accounting period, capped at the Workers' Gain;
(iv) Transferring the ownership of Investor Shares (with compensation at par value) from existing investor shareholders who wish to sell to User Shareholders in proportion to the number of User Shares held at the commencement of the accounting period, capped at the Users' Gain;
(v) Any combination of 15 (i) to (iv) that has the effect of acquiring for Labour and User Shareholders the number of "Member Shares" to which they are entitled.

Worked Example – Calculating the Capital Gain and Member Shares

Investor Shares Issued: 45,000
Capital Gain Fraction: 0.5 (50%)
Reference Value: £80,000
New Value: £75,000
Capital Gain: £7,500 (75,000 - 60,000 = 15,000, then multiply by 50% to get 7,500)
Workers' Gain: = £7,500 / 2 = £3,750
Users' Gain: = £7,500 / 2 = £3,750
Number of Member Shares: = 7,500
Investor Shares (Revised): 44,950 + 7,500 = 52,500

The maximum shareholding for each member is capped by the Act – at the time of writing this was 100,000.

Worked Example – Calculating the Fair Price and Member Shares

Investor Shares Issued: 45,000
Capital Gain Fraction: 0.5 (50%)
Reference Value: £80,000 (Existing fair price = £18,333)
New Value: £75,000
Capital Gain: £7,500 (75,000 - 60,000 = 15,000, then multiply by 50% to get 7,500)
Workers' Gain: = £7,500 / 2 = £3,750
Users' Gain: = £7,500 / 2 = £3,750
New Fair Price: = (£75,000 - £7,500 / 2 = £3,750
Number of Member Shares: = 7,500 / 1.5 = 5,000
Investor Shares (Revised): 45,000 + 5,000 = 50,000

The Association may purchase shares in other organisations that support its objects.

Shares

15 Capital Gains and Members' Investor Accounts

(a) The "Capital Gain Fraction" is 0.5, and may be changed only by special resolution.

(b) If the Association's value at the end of an accounting period (the "New Value") is greater than its Reference Value, then Capital Gain = (New Value – Reference Value) x (Capital Gain Fraction) and:

the "Workers' Gain" is Capital Gain / 2;
the "Users' Gain" is Capital Gain / 2;
Investor Accounts £1 credit for each £1 of Capital Gain.

Members' Investor Accounts are restricted funds held for Labour and User Members to allocate to projects developed by the Association's executive/board members. Credits to issues are as follows:

(i) Credit each Labour Members' Investor Account with [Workers' Gain] / [Number of Labour Members];
(ii) Credit [Users' Gain] to a restricted fund controlled collectively by User Members.

Worked Example – Calculating Member Account Credits

Capital Gain Fraction: 0.5 (50%)
Reference Value: £50,000
Capital Gain: £15,000
Workers' Gain: = £15,000 / 2 = £7,500
Users' Gain: = £15,000 / 2 = £7,500
Credits to Investor Accounts: = £7,500

The Association is valued at the start of every financial year, and this is the "Reference Value".

(b) At incorporation, the Reference Value of the Association is £0.

(c) Thereafter, the Reference Value shall be calculated as the book value of fixed assets plus 7 times the Surplus for the previous accounting period (see Clause 37).

(d) A Class Resolution can require revaluation of the Association or any of its assets.
Clause 16  Borrowing and Investment.
(a) The Board of Directors may exercise all the powers of the Co-operative to borrow money at commercial rates, and to mortgage or charge its undertaking, property and assets (present or future) and to issue debentures provided that:
(i) No borrowing is authorised that exceeds the value of the Reserves unless:
1. The lender does not take a charge over the assets of the Co-operative;
2. The loan amount or credit agreement is unsecured (i.e. does not require the Co-operative to offer security);
3. the borrowing secures for the Co-operative an asset or contract with a value greater than the amount borrowed.
(ii) The borrowing is authorised by an Ordinary Resolution.
(b) Commercial Investments: The MC may exercise all the powers of the Co-operative to make commercial investments, provided that the sum invested does not exceed one half of Reserves.
(i) The balance of Reserves must be held in current or deposit accounts, low-risk stocks, bonds or accessible savings accounts.
(c) Social Investments may be made each year in accordance with Clause 10(v) providing they total no more than one half of the opening balance of the Redemption Fund for that year.

Clause 17  Governance
17. Management Committee (MC) members may call General Meetings and, on the requisition of members holding a tenth or more of the shares in any class, must convene a General Meeting for a date not later than 4 weeks after receipt of the requisition.

Clause 18  Borrowing and Investment.
(a) The Board of Directors may exercise all the powers of the Company to borrow money at commercial rates, and to mortgage or charge its undertaking, property and assets (present or future) and to issue debentures provided that:
(i) No borrowing is authorised that exceeds the value of the Reserves unless:
1. The lender does not take a charge over the assets of the Company;
2. The loan amount or credit agreement is unsecured (i.e. does not require the Company to offer security);
3. the borrowing secures for the Company an asset or contract with a value greater than the amount borrowed.
(ii) The borrowing is authorised by an Ordinary Resolution.
(b) Commercial Investments: The Board may exercise all the powers of the Company to make commercial investments, provided that the sum invested does not exceed one half of Reserves.
(i) The balance of Reserves must be held in current or deposit accounts, low-risk stocks, bonds or accessible savings accounts.
(c) Social Investments may be made each year in accordance with Clause 10(v) providing they total no more than one half of the opening balance of the Redemption Fund for that year.

Clause 20  Corporate policy and social enterprise plans are implemented by a Chief Executive Officer or Executive Team appointed by the Directors. The board will stipulate their authority whenever appointed.
(a) When no Chief Executive Officer or Executive Team is in post, the director with the most Labour Shares will assume the responsibilities of the Chief Executive Officer until a new Chief Executive Officer or Executive Team can be appointed.
(b) If the situation in (20a) arises, and two or more directors have the same number of Labour Shares, the one with the most Investor Shares will assume the responsibilities of the Chief Executive Officer until a new Chief Executive Officer or Executive Team can be appointed.
(c) The Chief Executive Officer and Executive Team are responsible to the General Meeting Board of Directors for the organization and management of the company and the implementation of the Company’s social enterprise plans.

GOVERNANCE
17. The Directors may call General Meetings and, on the requisition of members holding a tenth or more of the shares in any class, must convene a General Meeting for a date not later than 4 weeks after receipt of the requisition.

GOVERNANCE
18. In each financial year, a minimum of one General Meeting will be held in addition to the Annual General Meeting (AGM).
(a) No business shall be transacted at a General Meeting unless a quorum of members is present. Unless and until otherwise decided by General Meeting, two-fifths of the membership shall be the quorum, subject to the number of members being more than [10] and less than [50].
(b) In the event of the membership exceeding [50] the quorum shall be [20].
(c) In the event of the membership being less than [10], the quorum shall be one-half subject to a minimum of [3].
(d) No business shall be transacted at a General Meeting until the meeting has agreed a chairperson. Whenever a President is in post, the President will chair the General Meeting. If a President is not in post, or the President is not present, the meeting will elect one of the MC members to chair the meeting. If no MC member is present, the meeting may elect a chairperson from amongst those present.

GOVERNANCE
19. The General Meeting can set corporate policy, approve/reject social enterprise plans, and take decisions about acquisition and disposal of property, and partnership arrangements with other organisations.
(a) A proposal to acquire another organisation may be taken by Ordinary Resolution.
(b) A proposal to merge or sell the Co-operative must be put as a Special Resolution.
(c) A proposal to wind up or dissolve the Co-operative must be put as a Special Resolution.

GOVERNANCE
20. The General Meeting can set corporate policy, approve/reject social enterprise plans, and take decisions about acquisition and disposal of property, and partnership arrangements with other organisations.
(a) A proposal to acquire another organisation may be taken by Ordinary Resolution.
(b) A proposal to merge with another Association must be put as a Special Resolution.
(c) A proposal to wind up or dissolve the Association must be put as a Special Resolution.
21 Every Founder, Labour and User Shareholder can attend, speak and propose resolutions at a General Meeting, and can cast one vote at General Meetings (except as provided for in clauses 23 and 24).

22 Any person can act as a proxy for a member at General Meeting. An instrument appointing a proxy must be written in a usual form, or a form approved by the MC Members.

(a) A proxy may act for a maximum of one other member at General Meetings (i.e. can cast a maximum of two votes, including their own).

(b) Proxy decisions will be made by Ordinary Resolution, i.e. passed by a simple majority of votes cast.

(c) For Ordinary Resolutions taken by a show of hands, Founder, Labour, User and Investor shareholders have one vote each, irrespective of the number of shares held and irrespective of the class(s) of share held.

(d) For Ordinary Resolutions where a poll is called, only Labour Shareholders, User Shareholders and Investor Shareholders vote. Each shareholder casts one vote, irrespective of the number of shares held. Their vote counts toward each shareholder class in which they hold shares. Founder shareholders only vote if they also hold Labour, User and/or Investor Shares.

(e) If a poll is requested by at least 2 members, the chairperson must offer each shareholder class a chance to pass a Class Resolution in accordance with the provisions of Clause 25 before proceeding with the poll.

23 Decisions at General Meetings are made by passing resolutions with a show of hands, unless a poll is demanded by at least 2 members. Unless required by law or by these Articles, all poll decisions will be made by Ordinary Resolution, i.e. passed by a simple majority of votes cast.

(a) For Ordinary Resolutions taken by a show of hands, Founder, Labour, User and Investor shareholders have one vote each, irrespective of the number of shares held and irrespective of the class(s) of share held.

(b) For Ordinary Resolutions where a poll is called, only Labour Shareholders, User Shareholders and Investor Shareholders vote. Each shareholder votes once, irrespective of the number of shares held. Their vote counts toward each shareholder class in which they hold shares. Founder shareholders only vote if they also hold Labour, User and/or Investor Shares.

(c) If a poll is requested by at least 2 members, the chairperson must offer each shareholder class a chance to pass a Class Resolution in accordance with the provisions of Clause 25 before proceeding with the poll.

24 On a show of hands or a poll every member holding a share who is present in person or by proxy, has one vote.

(a) In the event of a poll, the total number of labour, user and investor votes for and against the resolution will be recalculated using the following formulae (see clause 44 for Investor Share Fraction) and [User Share Fraction] and [User Share Fraction]:

\[
\frac{\text{Investor Votes For}}{\text{Investor Votes Cast}} \times \text{Investor Share Fraction} + \frac{\text{User Votes For}}{\text{User Votes Cast}} \times \text{User Share Fraction} + \frac{\text{Labour Votes For}}{\text{Labour Votes Cast}} \times \text{Labour Share Fraction}
\]

(b) The total vote for the resolution is the aggregate of (i), (ii) and (iii).

(c) The total vote against the resolution is the aggregate of (i), (ii) and (iii).

(d) For the resolution to pass, the aggregate of (i) and (ii) must be greater than 0.5, otherwise the resolution is not passed.

25 A Class Resolution passed by any shareholder class can amend an Ordinary Resolution so that it becomes a Special Resolution (with the exception of contract terminations described in clause 91).

(a) A Special Resolution is passed if:

i. a majority of votes cast in each shareholder class separately (on a one-shareholder-one-vote basis) are in favour of the resolution,

ii. at least 75% of all members cast their vote in favour of the resolution, irrespective of shareholder class, on a one-shareholder-one-vote basis.

(b) A Class Resolution passed if:

i. a majority of votes cast in each shareholder class separately (on a one-shareholder-one-vote basis) are in favour of the resolution,

ii. at least 75% of all members cast their vote in favour of the resolution, irrespective of shareholder class, on a one-shareholder-one-vote basis.
Clause 26
Unless a poll is demanded, a declaration by the chairperson at the meeting that a resolution has been carried, or lost, by a show of hands, be conclusive evidence of the fact without proof of the number or proportions of the votes recorded in favour or against a resolution containing the minutes of the proceedings shall be conclusive evidence of the fact without proof of the number or proportions of the votes recorded in favour or against a resolution.

Clause 27
A written resolution signed by all members is valid as if properly passed at a General Meeting.

Clause 28
The proceedings of a meeting are not invalidated by the accidental omission to give notice of the meeting to, or the non-receipt of notice of the meeting by, a person entitled to receive notice.

Clause 29
Management Committee Members (Directors).

Directors. The Company shall have a Board of between one and [nine] directors, except in circumstances described in clauses 29(c) and (d). A sole director shall have authority to exercise all the powers and authorities vested in the Directors unless:

(a) The company is in receipt of grant or loan funding from a public authority, charitable body or other asset-locked organisation (e.g. a credit union, community cooperative or community interest company), in which case the minimum number of Directors shall be three representing at least two shareholder classes, with at least one financial specialist.

(b) The Company has [50] or more members, in which case the minimum number of directors shall be five with at least one representing each shareholder class, and at least one financial specialist.

If the Company has fewer than [50] members, Directors will be proposed by the Founder or existing Trustees and confirmed by Ordinary Resolution.

(a) Co-operative directors may freely negotiate contracts of any value until the Co-operative files its first set of accounts. Thereafter, the MC may freely negotiate contracts to the value of [25%] of the co-operative’s annual turnover (as reported in the previous year’s filed accounts). Contracts in excess of this amount require General Meeting approval.

(b) A director may be removed at General Meeting by Ordinary Resolution.

If the Co-operative has fewer than [50] members, the President will be elected as described in clauses 29(a) and (b).

(a) Labour Shareholders will elect a maximum of [two] directors (one will be subject to re-election by rotation every two years).

(b) User Shareholders will elect a maximum of [two] directors (one will be subject to re-election by rotation every two years).

(c) Investor Shareholders (if applicable) will elect a maximum of [two] directors (one will be subject to re-election by rotation every two years).

(d) Founder Shareholders will elect a maximum of [two] directors, who may be removed only by the provisions set out in 31(f).

(e) A maximum of [one] director may be appointed (co-opted) by the other directors for their specialist financial skills.

(f) A director may be removed from office at any General Meeting by a Class Resolution of a shareholder class that elected him or her, or by Ordinary Resolution.

(g) The President shall be elected from amongst the MC members on a poll of all shareholders (one vote per shareholder) at the Annual General Meeting.

The President has a non-executive role in the running of the Co-operative, and is responsible for overseeing MC meetings, maintaining the public image of the Co-operative, and facilitating good communications between MC Members and co-operative employees. The President has a casting vote at MC and General Meetings, but is not required to use it.

(h) In the absence of a President, or if a President is not elected, the holder(s) of Founder Shares will act (as set out in 31(g)).

(i) A Director cannot be removed by other directors except at General Meeting (as set out in 31(f)).

(j) Co-operative directors may freely negotiate contracts to the value of [12.5%] of the Co-operative’s annual turnover (as reported in the previous year’s filed accounts).

MC meetings may be held between General Meetings by any means defined within the Act (as amended by the Electronic Communications Order 2011).

(a) All acts done by any meeting of the MC or by any person acting as a member of the MC, shall be as valid as if they were carried out in person at a meeting of the MC, even if they were carried out by electronic means.

(b) A maximum of [one] director may be appointed (co-opted) by the other directors for their specialist financial skills.

(c) A Director cannot be removed by other Directors except at General Meeting (as set out in 31(f)).

(d) Company directors may freely negotiate contracts to the value of [12.5%] of the Company’s annual turnover (as reported in the previous year’s filed accounts).

MC meetings may be held between General Meetings by any means defined within the Act (as amended by the Electronic Communications Order 2011).

(a) All acts done by any meeting of the Directors or by any person acting as a member of the Board, shall be as valid as if they were carried out in person at a meeting of the Board, even if they were carried out by electronic means.

(b) A maximum of [one] Director may be appointed (co-opted) by the other Directors for their specialist financial skills.

(c) A Director cannot be removed by other Directors except at General Meeting (as set out in 31(f)).

(d) Company directors may freely negotiate contracts to the value of [12.5%] of the Company’s annual turnover (as reported in the previous year’s filed accounts).

Directors’ meetings may be held at any General Meeting by any means defined within the Act, including video and audio conferencing.

(a) All acts done by any meeting of the Trustees or by any person acting as a member of the Board, shall be as valid as if they were carried out in person at a meeting of the Board.

(b) A maximum of [one] Trustee may be appointed (co-opted) by the other Trustees for their specialist financial skills.

(c) A Trustee cannot be removed by other Trustees except at General Meeting (as set out in 31(f)).

(d) Association Trustees may freely negotiate contracts to the value of [12.5%] of the Association’s annual turnover (as reported in the previous year’s filed accounts). Contracts in excess of this amount require General Meeting approval.

If the Association has fewer than [50] members, Trustees will be proposed by the Founder or existing Trustees and approved by a vote of existing Trustees following Ordinary Resolution.

(a) Trustees may freely negotiate contracts of any value until the Association files its first set of accounts. Thereafter, Trustees may freely negotiate contracts to the value of [20%] of the Association’s annual turnover (as reported in the previous year’s filed accounts). Contracts in excess of this amount require General Meeting approval.

(b) A Trustee may be removed at General Meeting by an Ordinary Resolution, or after a vote of no-confidence at a meeting of the Directors.

If the Association has [50] or more members, Trustees and a President will be elected annually as follows:

(a) Labour Members will elect a maximum of [two] Trustees (one will be subject to re-election by rotation every two years, and the other may be re-elected for up to two additional terms).

(b) User Members will elect a maximum of [two] Trustees (one will be subject to re-election by rotation every two years).

(c) Founder Members will elect a maximum of [two] Trustees, who may be removed only by the provisions set out in 31(f).

(d) A maximum of [one] Trustee may be appointed (co-opted) by the other Trustees for their specialist financial skills.

(e) A Trustee may be removed from office at any General Meeting by a Class Resolution of a member class that elected the Trustee, or by Ordinary Resolution.

(f) A President will be elected from the Trustees on a poll of all members (one vote per member) at the Annual General Meeting. The President has a non-executive role in the running of the Association, and is responsible for overseeing and approving board meetings, maintaining the public image of the Association, and facilitating good communications between Trustees and association members. The President has a casting vote at board and General Meetings, but is not required to use it.

(g) In the absence of a President, or if a President is not elected, the holder(s) of Founder Shares will act (as set out in 31(g)).

(h) Association Trustees may freely negotiate contracts to the value of [12.5%] of the Association’s annual turnover (as reported in the previous year’s filed accounts). Contracts in excess of this amount require General Meeting approval.

If the Association has [50] or more members, Trustees and a President will be elected annually as follows:

(a) Labour Members will elect a maximum of [two] Trustees (one will be subject to re-election by rotation every two years, and the other may be re-elected for up to two additional terms).

(b) User Members will elect a maximum of [two] Trustees (one will be subject to re-election by rotation every two years).

(c) Founder Members will elect a maximum of [two] Trustees, who may be removed only by the provisions set out in 31(f).

(d) A maximum of [one] Trustee may be appointed (co-opted) by the other Trustees for their specialist financial skills.

(e) A Trustee may be removed from office at any General Meeting by a Class Resolution of a member class that elected the Trustee, or by Ordinary Resolution.

(f) A President will be elected from the Trustees on a poll of all members (one vote per member) at the Annual General Meeting. The President has a non-executive role in the running of the Association, and is responsible for overseeing and approving board meetings, maintaining the public image of the Association, and facilitating good communications between Trustees and association members. The President has a casting vote at board and General Meetings, but is not required to use it.

(g) In the absence of a President, or if a President is not elected, the holder(s) of Founder Shares will act (as set out in 31(g)).

(h) Association Trustees may freely negotiate contracts to the value of [12.5%] of the Association’s annual turnover (as reported in the previous year’s filed accounts). Contracts in excess of this amount require General Meeting approval.

If the Association has fewer than [50] members, Trustees will be proposed by the Founder or existing Trustees and approved by a vote of existing Trustees following Ordinary Resolution.

(a) Trustees may freely negotiate contracts of any value until the Association files its first set of accounts. Thereafter, Trustees may freely negotiate contracts to the value of [20%] of the Association’s annual turnover (as reported in the previous year’s filed accounts). Contracts in excess of this amount require General Meeting approval.

(b) A Trustee may be removed at General Meeting by an Ordinary Resolution, or after a vote of no-confidence at a meeting of the Directors.
Clauses 33 to 35

Clauses 36, 37, and 38

Clauses 39

Clauses 40 to 49

Clauses 50 to 54
**Clause 40**

**Labour Share Dividends**

(a) The Labour Share Fraction is [0.35] and the User Share Fraction is [0.35] and may be changed only by Special Resolution.

(b) No Labour or User Shareholder may receive a dividend of more than [Surplus] x [Labour Share Fraction].

**User Share Dividends**

(a) The User Share Fraction is [0.35] and User Share Dividend is calculated by multiplying [Surplus] (if greater than zero) for the relevant period by the [User Share Fraction] and [User Share Shareholders]. If [Surplus] is less than or equal to zero, no Labour Share or User Share dividends are paid.

(b) No Labour or User Shareholder may receive a dividend of more than [Surplus] x [User Share Fraction].

**Labour Share Fraction** and “User Share Fraction”

- “Labour Share Fraction” is calculated by multiplying [Surplus] of greater than zero for the relevant period by the [Labour Share Fraction] and [Labour Share Shareholders]. If [Surplus] is less than or equal to zero, no Labour Share or User Share dividends are paid.
- “User Share Fraction” is calculated by multiplying [Surplus] of greater than zero for the relevant period by the [User Share Fraction] and [User Share Shareholders]. If [Surplus] is less than or equal to zero, no Labour Share or User Share dividends are paid.

**Labour Share** and “User Share Dividends”

- The Board of Directors may exercise discretion on how to allocate the restricted fund to projects that improve the well-being of the Company’s workforce.
- The Board of Directors may exercise discretion on how to allocate the restricted fund to projects that improve the well-being of the Company’s users.

**Investor Share Dividends**

- No Labour or User Shareholder may receive a dividend of more than [Surplus] x [Investor Share Fraction].

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**Labour Share Dividends** and “User Share Dividends”

At the end of an accounting period, the Labour Share and User Share will be issued to each Labour and User shareholder in the form of new Investor Shares. The number of Investor Shares issued is based on the following calculations:

- [Labour Share] x (Member’s Labour Shareholding / All Issued Labour Shares) + [User Share] x (Member’s User Shareholding / All Issued User Shares)

**Labour Share Dividends** and “User Share Dividends”

At the end of an accounting period, the Labour Share and User Share are distributed as dividends to each Labour and User shareholder using the following formulae:

- [Labour Share] x (Member’s Labour Shareholding / All Issued Labour Shares) + [User Share] x (Member’s User Shareholding / All Issued User Shares)

**Labour Share** and “User Share Dividends”

- The total Labour Share distributed is added to a restricted fund that can be allocated only by Labour Members (up to the maximum of the [Labour Share Fraction] of the total Surplus). If there are no Labour Members, clause 39 applies for the purposes of allocating the fund.
- The total User Share distributed is added to a restricted fund that can be allocated only by User Members. If there are no User Members, clause 39 applies for the purposes of allocating the fund.
- The Association has Labour Members, the Labour Share shall be managed by them.
- If the Association has User Members, the User Share shall be managed by them.
- The elected representative(s) of Labour Members shall be responsible for convening meetings of Labour Members to agree social investment projects that are consistent with the objects of the Association. Each Labour Member shall choose individually which project their proportion of the Labour Share shall support.
- The elected representative(s) of User Members shall be responsible for convening meetings of User Members to agree social investment projects that are consistent with the objects of the Association. User Members shall vote collectively on which projects to support.

42

**At the discretion of the MC members, members and employees may be advanced a proportion of their projected Labour Share dividends on a regular basis in addition to monthly Pay. Advances must be listed in the Annual Accounts and deducted from the Labour Share before calculating Labour Share Dividends.**

**At the discretion of the directors, members and employees may be advanced a proportion of their projected Labour Share dividends on a regular basis in addition to monthly Pay. Advances must be listed in the Annual Accounts and deducted from the Labour Share before calculating Labour Share Dividends.**

43

**Providers of labour (management committee members, employees, self-employed contractors) may, subject to mutual consent, be part-paid by the issue of Investor Shares, credited as fully paid.**

**Providers of labour (directors, employees, self-employed contractors) may, subject to mutual consent, be part-paid by the issue of Investor Shares, credited as fully paid.**

44

**Investor Share Dividends**

- The “Investor Share Fraction” is [0.30] and the “Investor Share” is [Surplus] x [Investor Share Fraction]. The may be changed only by Special Resolution.
- A dividend is paid on Investor Shares. Interest is payable (see Clause 10(v)) subject to a cap which is calculated as follows:
  - [Surplus] x [Investor Share Fraction] x (1 – [Capital Gain Fraction])
- The interest must be paid within [6] calendar months of the end of the accounting period. Interest at the Co-operative’s bank overdraft rate is to accumulate on unpaid interest after this time.

**Investor Share Dividends**

- The “Investor Share Fraction” is [0.30] and the “Investor Share” is [Surplus] x [Investor Share Fraction]. This may be changed only by special resolution.
- The Investor Share Dividend paid in any accounting period is the lowest of the following:
  - (i) which may be paid by law;
  - (ii) the [Investor Share] x (1 – [Capital Gain Fraction]); and
  - (iii) the balance of the profit and loss account, if greater than zero; or
  - (iv) otherwise it is zero.
- The dividend is divided equally among all Investor Shareholders.
- Dividends, if payable, must be paid within [6] calendar months of the end of the accounting period. Interest at the Company’s bank overdraft rate is to accumulate on unpaid dividends after this time.

45

**Cash Instead of Shares.** The MC can offer all Investor Shareholders a chance to receive cash payments instead of taking their Labour and User Share Dividends as new Investor Shares.

**Shares instead of dividends.** The directors can offer all Investor Shareholders the choice of receiving additional Investor Shares credited as fully paid, instead of some or all of the dividend. The directors must specify a procedure fair to all Investor Shareholders for

*Credits to Members’ Investor Accounts, is calculated by multiplying [Surplus] (if greater than zero) for the relevant period by the [Labour Share Fraction] and [User Share Fraction]. If [Surplus] is less than or equal to zero, no Labour Share or User Share is credited to members’ Investor Accounts."

*In the event that there are no Labour Members, the Association shall establish or increase a restricted fund to the value of the Labour Share. The Board of Trustees may exercise discretion on how to allocate this restricted fund to projects that improve the well-being of the Association’s workforce.*

*In the event that there are no User Members, the Association shall establish or increase a restricted fund to the value of the User Share. The Board of Trustees may exercise discretion on how to allocate the restricted fund to projects that improve the well-being of the Association’s users.*
50.46. No additional sum may be transferred from the profit and loss account to Reserves unless it represents new Investor Shares credited as fully-paid, or is approved by special resolution, or is required by law.

At the discretion of members in General Meeting, additional sums may be transferred from the profit and loss account to Reserves before Investor Account Credits are calculated.

47. Financial and social accounts will be prepared for MC and General Meetings by a person with appropriate bookkeeping and accounting skills / qualifications. They will use accounting conventions agreed by the MC, or as required by the Act. Any member or person authorised in writing by a member may inspect the accounting records during normal working hours.

(a) If the Co-operative has fewer than [50] members, the MC may put an ordinary resolution to the General Meeting to approve one of the following:
   i. Either: the appointment of independent accountants and/or auditors to undertake financial and social audits;
   ii. Or: a discretionary examination of accounts and social audit;
   iii. Or: an application for exemption from audit under the relevant accounting regulations.

(b) If the Co-operative has [50] or more members:
   i. The MC shall recommend a choice of financial and social auditors for approval in General Meeting;
   ii. The selected financial auditor shall audit the Co-operative’s financial accounts prior to their approval in General Meeting for filing with the relevant regulatory authority.
   iii. The selected financial auditor shall assist with an audit of the internal democracy and decision-making of the Co-operative, the wages, health and safety, skill sharing and educational opportunities of its members and employees, or other matters concerning the overall personal or job satisfaction of members and employees; an assessment of the Co-operative’s activities externally, including effects on people, the environment and other organisations.

Accountants, Auditors and Independent Experts. These must be chosen by ordinary resolution.

(a) The financial auditor (if appointed) shall be from a Recognised Qualifying Body (RQB).

(b) Accountants, Auditors and Independent Experts shall be from a recognised bunch of companies or auditors to undertake financial and social audits.

The selected financial auditor shall audit the Co-operative’s financial accounts prior to their approval in General Meeting for filing with Companies House.

The selected financial auditor shall assist with an audit of the internal democracy and decision-making of the Co-operative, the wages, health and safety, skill sharing and educational opportunities of its members and employees, or other matters concerning the overall personal or job satisfaction of members and employees; an assessment of the Co-operative’s activities externally, including effects on people, the environment and other organisations.

An audit committee of up to four people (comprising non-MC members from at least two shareholder classes) will be elected at each AGM.

48. The purpose of the audit committee is:

1. to assist and check the preparation of financial records presented to General Meetings so that they are accurate, authentic, and meet the needs of members;
2. to assist and check the preparation of the information needed for a social audit;
3. to organise elections to the MC at the AGM in accordance with Clause 31;
4. to record, check and authenticate that the procedures in clauses 17 to 27 are being followed when voting takes place in a General Meeting.

At the discretion of members in General Meeting, additional sums may be transferred from the profit and loss account to Reserves unless it represents new Investor Shares credited as fully-paid, or is approved by special resolution, or is required by law.

50.47. Financial and social accounts will be prepared for Board and General Meetings by a person with appropriate bookkeeping and accounting skills / qualifications. They will use accounting conventions agreed by the Board, or as required by the Act. Any member or person authorised in writing by a member may inspect the accounting records during normal working hours.

(a) If the Association has fewer than [50] members, the Board may put an ordinary resolution to the General Meeting to approve one of the following:
   i. Either: the appointment of independent accountants and/or auditors to undertake financial and social audits;
   ii. Or: an application for exemption from audit under the provisions of the relevant Act;

(b) If the Association has [50] or more members:
   i. The Board shall recommend a choice of financial and social auditors for approval in General Meeting;
   ii. The selected financial auditor shall audit the Association’s financial accounts prior to their approval in General Meeting for filing with Companies House;
   iii. The selected social auditor shall assist with an audit of the internal democracy and decision-making of the Association, the wages, health and safety, skill sharing and educational opportunities of its members and employees, or other matters concerning the overall personal or job satisfaction of members and employees; an assessment of the Association’s activities externally, including effects on people, the environment and other organisations;

An audit committee of up to four people (comprising non-Board members from at least two member classes) will be elected at each AGM.

The purpose of the audit committee is:

1. to assist and check the preparation of financial records presented to General Meetings so that they are accurate, authentic, and meet the needs of members;
2. to assist and check the preparation of the information needed for a social audit;
3. to organise elections to the Board at the AGM in accordance with Clause 31;
4. to record, check and authenticate that the procedures in clauses 17 to 27 are being followed when voting takes place in a General Meeting.

49. Labour Contract Revaluations. In the event of a dispute, the escalation procedure is:

(a) Valuation by a recruitment agency or recruitment consultant agreeable to all parties;
(b) Appeal (with resolution) subject to a vote at General Meeting;
(c) Advisory, Conciliation and Arbitration Services (ACAS).

In the event that a labour contract revaluation leads to a breach of the ratio between the highest and lowest paid member of staff (as set in clause 34(c)) the revaluation will only be allowed if shareholders pass a Class Resolution adjusting the ratio to permit the new level of pay. Until such time as a Class Resolution is passed, the maximum pay permissible is capped in accordance with the current ratio (e.g. if the ratio is 3:1, the maximum pay is 3x the lowest paid).

50. Labour Contract Revaluations. In the event of a dispute, the escalation procedure is:

(a) Valuation by a recruitment agency or recruitment consultant agreeable to all parties;
(b) Appeal (with resolution) subject to a vote at General Meeting;
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In the event that a labour contract revaluation leads to a breach of the ratio between the highest and lowest paid member of staff (as set in clause 34(c)) the revaluation will only be allowed if shareholders pass a Class Resolution adjusting the ratio to permit the new level of pay. Until such time as a Class Resolution is passed, the maximum pay permissible is capped in accordance with the current ratio (e.g. if the ratio is 3:1, the maximum pay is 3x the lowest paid).

50.44. Relationship Disputes. In the event of a dispute between two or more members, the escalation procedure is:

(a) Mediation by the President, or a Director, a management consultant, trade union official, Co-operatives UK official, Social Enterprise Europe Director, FairShares Association Founder, Regional Co-operative Council official or other third-party

Relationship Disputes. In the event of a dispute between two or more members, the escalation procedure is:

(a) Mediation by the President, or a Director, a management consultant, trade union official, Social Enterprise Europe Director, FairShares Association Founder, Regional Co-operative Council official or other third-party agreeable to all parties;
Clause 51  
Except in the case of resignation or voluntary termination by both parties, a member’s employment, supply contract or co-operative membership may be terminated only after an Ordinary Resolution proposing the termination of the contract has been passed in General Meeting.

52  
The Co-operative may pay for Management Committee Members’ and officers’ indemnity insurance against liabilities related to the Co-operative’s business, excluding negligence and/or fraud.

53  
**Intellectual Property (IP).** The Co-operative shall record which members have created and contributed intellectual property (IP) to further co-operative objects, and ensure that ownership is freely and voluntarily transferred by those members to the Co-operative. (a) All IP created by members while working for the Co-operative will be vested in them individually and/or collectively.

(b) As a condition of membership and/or employment, all IP created by members during their work for the Co-operative shall be licensed to the Co-operative under a Creative Commons Licence for both non-commercial and commercial use, with permission to adapt, share and re-use the IP in product and service development. Any product or service offered will use the same Creative Commons licence unless a variation of this is negotiated with the creator(s) of the IP.

(c) IP transferred to the Co-operative by members, and IP bought by the Co-operative from third parties, shall be owned collectively by all members and made freely available to them for non-commercial use and private study.

(d) The Co-operative shall use its best endeavours to manage IP as if it were an ‘intellectual commons’ for the benefit of Co-operative members.

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**Dissolution**

54  
Upon dissolution, a qualified accountant or auditor will calculate the value of “residual assets” ([Investor Shares] + [accumulated profit and loss account] + [assets – liabilities]). After satisfying the terms of Clause 51(b) and any obligations of the Co-operative, the remaining residual assets will be distributed to investor shareholders in proportion to the shares they have accumulated after satisfying the following requirements:

(a) If the Co-operative has received grant funding from a public authority, charitable body or other asocial locked-social enterprise (e.g. a community benefit society or community interest company), the Co-operative shall have an exclusive right to use and commercialise the IP while they remain a member. If the member leaves the Co-operative, the IP shall be used as if it were an ‘intellectual commons’ for the benefit of Co-operative members.

(b) A condition of membership and/or employment, all IP created by members during their work for the Co-operative shall be licensed to the Co-operative under a Creative Commons Licence for both non-commercial and commercial use, with permission to adapt, share and re-use the IP in product and service development. Any product or service offered will use the same Creative Commons licence unless a variation of this is negotiated with the creator(s) of the IP.

(c) IP transferred to the Co-operative by members, and IP bought by the Co-operative from third parties, shall be owned collectively by all members and made freely available to them for non-commercial use and private study.

(d) The Co-operative shall use its best endeavours to manage IP as if it were an ‘intellectual commons’ for the benefit of Co-operative members.
<table>
<thead>
<tr>
<th>Clause</th>
<th>Co-operative</th>
<th>Company</th>
<th>Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Dividend</td>
<td>£645k * 22% = £144,944</td>
<td>Community Dividend</td>
<td>£645k * 22% = £144,944</td>
</tr>
</tbody>
</table>

(b) If the total value of residual assets is greater than £5,000, not less than [community dividend] will be divided equally between the following bodies:

<table>
<thead>
<tr>
<th>Organisation Name:</th>
<th>FairShares / CIC Company No:</th>
<th>or Charity / Foundation / Association No:</th>
<th>or Co-operative Registration Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>FairShares / CIC Company No:</td>
<td></td>
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</tr>
<tr>
<td>or Charity / Foundation / Association No:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Any remaining assets will be divided equally between Investor Shareholders in proportion to number of shares held at the end of the previous year's trading. For the avoidance of doubt, changes in balances since the previous year end will be ignored for the purposes of calculating the share of residual assets paid out when the co-operative is dissolved.

(d) In finalising the dissolution of the Co-operative, and subject to the requirements of Insolvency Law, debts and payments to creditors and shareholders will be satisfied in the following order:

1. Outstanding debts to employees, workers and contractors (e.g. wages/fees)
2. Outstanding debts to other priority creditors (e.g. VAT and taxes)
3. Outstanding debts to suppliers (e.g. unpaid supplier invoices)
4. Outstanding debts to other creditors (e.g. loan balances)
5. Payment of the community dividend
6. Division of remaining residual assets to Investor Shareholders

(e) In the event of a failure to agree within 6 months of dissolution which association(s), co-operative(s) and companies should receive the community dividend, or in the event that the organisations in Clause 56(b) have all closed, the [community dividend] will be donated to the FairShares Association (c/o Social Enterprise Europe Ltd) to be reinvested in FairShares Associations, Co-operatives and Companies.