DEMOCRATIZING WORK:
LAW AND LEGAL CONSCIOUSNESS AT BRITISH WORKER COOPERATIVES

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Rights won by workers through mass mobilization and collective bargaining, even when extensive, normally stop short of significant worker ownership or control of the firm. Worker cooperatives – businesses owned and controlled by their worker members – can, in theory, offer a radical organizational, legal, and ideological alternative to the hierarchical governance and worker dispossession characteristic of the modern firm. Yet whereas some ethnographic research has shown that worker cooperatives can preserve democratic control and accountability in the face of competitive pressures and corporatization, a number of studies have suggested just the opposite, finding that many worker members report feeling distant from the management of their cooperative and alienated from their work. Moreover, some observers argue that contrary to the assumption that cooperative workplaces should foster solidaristic and anti-capitalistic values, they can in fact promote individualism and a petit-bourgeois sensibility, and weaken labor solidarity. In-depth, semi-structured interviews with 32 members at a dozen worker cooperatives throughout England show that the British worker cooperative
movement has cultivated a participatory, communitarian, and egalitarian legal
consciousness and workplace culture that is undergirded by the institutionalization of
democratic governance, common property, and equal wages. However, members feared
that a lack of social support, combined with pressures to grow in order to compete with
large and international firms, could compel their cooperative to compromise principles,
lower standards, and lose their character. Analysis of the history of the British
cooperative movement and evaluations of cooperatives by foundational political
economists underline worker cooperatives’ enduring importance to – yet persistent
marginality within – working class politics and socialist theory. By merging labor and
capital rather than attempting to equalize them, and by socializing capital chiefly at the
level of the enterprise rather than the state, worker cooperatives have appeared to work at
cross-purposes with broader labor and leftist movements. Worker cooperatives however
offer a tried-and-tested model of workplace democracy and economic equality that
depends on the success of those movements for their own.
Dedication and Acknowledgements

To my husband
And to my sister, mother, and grandmothers

I would like to thank all of the co-op members who welcomed me into their workplaces, and took the time to meet and share their experiences with me. I would like to thank my advisor Lisa L. Miller, for her guidance, encouragement, and friendship over these many years. I would like to thank my committee members, Elizabeth Hoffmann, Milton Heumann, and Andrew Murphy, for their kindness, thorough and thoughtful comments, and for challenging me to better organize and present my work. I want to thank the many friends and family members who gave me the confidence to undertake and finish this project. Last, but not least, I want to thank my dear friend Mona Kleinberg for her limitless emotional support.
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Introduction

A cooperative is an independent association of people united voluntarily to meet their common needs, such as secure employment with good working conditions, or high-quality and affordable products, services, and housing, through a jointly-owned and democratically-controlled enterprise. Common types of cooperatives include consumer cooperatives, often grocery or department stores, financial cooperatives such as mutuals and credit unions, and agricultural and purchasing cooperatives, which allow farmers and business owners to join together to buy supplies in bulk and to coordinate production, marketing, and distribution. Increasingly cooperatives are formed in the health and social care, education, and green energy sectors.

What differentiates cooperatives from charities and nonprofits, on the one hand, and from most businesses, on the other, is that their primary purpose is neither to serve the common good, nor to make profits for investors or lenders, but to provide for their members. While most cooperatives are businesses with a goal of earning revenue, this revenue is not paid out to non-member stockholders, only to workers as wages or to customers in the form of rebates and lower prices. And while many cooperatives are founded with social missions, such as providing low-income housing or healthy, organic foods, unlike charities the primary beneficiaries of the mission are the cooperatives’ members. Cooperatives are not only self-help organizations, however, and are further distinguished by their commitment to the cooperative principles of equality, democracy, non-discrimination, education, solidarity, and community.

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1 These lines are sometimes blurred, however, as in the case of social cooperatives and cooperatives that allow for investor members.
Worker cooperatives are unique both within the cooperative movement and in the wider economy, as they are rare instances of worker ownership and control of the firm. For the vast majority of workers, work is structured by the employment relationship -- a legal link consisting of reciprocal rights and obligations between employee and employer -- while a rapidly growing minority work as independent contractors with many of the same obligations\(^2\), but far fewer rights (see, Katz and Krueger, 2016).

As a centerpiece of capitalist productive relations, the employment contract has long been a focus of ideological, political, and legal struggle. Liberal judges in Victorian England held that contracts, “when entered into freely and voluntarily, shall be held sacred,” and privileged this “freedom of contract” over public interests in promoting fairness (Jessel, 1875). In the United States, freedom of contract was first elaborated in the 1897 Supreme Court case *Allgeyer v Louisiana* (165 U.S. 578), marking the beginning of the “Lochner Era” during which the Court struck down a number of high-profile federal and state labor and business regulations. Critics were quick to point out that, in practice, such contracts are rarely entered into freely and voluntarily, due to systemic inequality of bargaining power under capitalism: workers, facing impoverishment without reserves of wealth to sustain them, are generally under greater pressure to sell their labor than employers are to buy it, especially when wealth becomes concentrated, and when the reserve pool of unemployed and precarious workers grows (see, Webb, 1902; Engels, 1969; and Kaufman, 1991).

This imbalanced relationship allows employers to not only pay poverty or near-poverty wages, but also to limit basic rights of free speech and privacy in the workplace.

\(^2\) The UK Office for National Statistics reports that “the rapid growth of self-employment has been a pronounced feature of the UK labour market in recent years,” the number of self-employed increasing from 12% to over 15% of the labor force between 2001 and 2017 (ONS, 2018).
(and even outside of the workplace), to control aspects of employees’ personal lives such as their dress, appearance, and even the number and duration of bathroom breaks they take, and to expect subservient behavior (to have to “tip one’s hat” to one’s employer and to say “sir” without reciprocity (Webb, 1902, 843)). If the strength of labor unions in the 1950s and 60s helped to increase bargaining power for many workers and afford them higher wages, better working conditions, and greater dignity, the sharp decline in union density in nearly all industrialized countries since in the 1970s (particularly in the private sector (Visser, 2006)) has imperiled these gains.

Whereas unions work to strengthen the bargaining position of workers relative to owners within the employment relationship, worker cooperatives represent an alternative legal and organizational form wherein workers equally own and democratically manage the firm. The amount of ownership and control workers enjoy in practice can vary greatly between cooperatives, however, depending on whether a cooperative’s management structure is flat or hierarchical, on whether or not shares are issued to non-members, and on the cooperative’s participatory policies and culture, among other factors.

Because worker cooperatives must often compete with large, well-capitalized firms that routinely contract and outsource labor, use aggressive tax avoidance strategies, and benefit from extensive political and business connections, they can experience intense pressures to adopt practices that conflict with cooperative principles, such as employing and raising capital from nonmembers, purchasing non-cooperative subsidiaries, and concentrating authority in the hands of highly paid managers. In addition, the growth imperative in capitalist economies, which compels businesses (and the economy as a whole) to continually grow to maintain profitability (see, Antonio,
2013; Binswanger, 2009; Gordon and Rosenthal, 2003; and Hahnel, 2013), can push worker cooperatives to grow to past a size where engaged self-management is practicable.

This study of British worker cooperatives contributes to a growing body of research on worker ownership and control in the workplace. Whereas some ethnographic research has shown that worker cooperatives can preserve democratic control and accountability in the face of competitive pressures and corporatization (Cornforth, 1995; and Kennelly and Odekon, 2016), a number of studies have suggested just the opposite, finding that many worker-members report feeling distant from the management of their cooperative and alienated from their work (Kasmir, 1996; Verba and Shabad 1978; Kavcic, Rus, and Tannenbaum 1971; Marovic, 2011). Some commentators have moreover argued that contrary to the assumption that cooperative workplaces should cultivate solidaristic and anti-capitalistic values, they can in fact foster individualism and a petit-bourgeois sensibility (Webb, 1902; Greenberg, 1981) and weaken labor solidarity (Slott, 1985).

My findings tell a very different story. I argue that the British worker cooperative movement has cultivated a participatory, communitarian, and egalitarian legal consciousness and workplace culture that is undergirded by the institutionalization of democratic governance, common property, and equal wages. However, members fear that a lack of social support, combined with pressures to grow in order to compete with large and international firms, could compel their cooperative to compromise principles, lower standards, and lose their character.

In chapter one I review a selection of the literature on legal consciousness, the liberal legal regime, and social change, highlighting critical evaluations of the textbook
narrative of the role of law and legal institutions in liberal democracies. This literature shows that law has been an important site of ideological contestation, even if the institutions and logic of liberal legalism are designed to obscure and constrain democratic politics. I will argue that by developing an alternative, radically democratic and egalitarian legal regime and consciousness, British worker cooperatives represent a unique kind of social movement and form of legal mobilization, with revolutionary potential but important limitations. To conclude chapter one, I describe my research design: where and how I collected data, including interviews at worker cooperatives throughout England, and the analysis of their rules and statements of purpose.

In chapter two I outline the history of the British cooperative movement, which shows that the movement’s commitment to economic democracy is rooted in the development of radical working class mutuality in response to pervasive economic inequality and insecurity. This history details how British worker cooperatives developed a unique organizational form and participatory culture at some remove from state legal, regulatory, and administrative institutions, party politics, the trade union-dominated labor movement, and even from national and international cooperative federations dominated by consumer, agricultural, and financial cooperatives. I then give an overview of cooperatives globally and in the UK, describe the current state of British cooperative law, and review literature on cooperative governance, performance, and identity.

In chapter three I describe the organizational structure of the worker cooperatives I visited for this study, and relate members’ attitudes about workplace roles, ownership, and wage policies. Chapter four further explores members’ attitudes about law, politics, and the governance of their cooperatives. These chapters show that at a dozen worker
cooperatives throughout England, both large and small, members actively participate in
decision-making, feel invested in their cooperative, hold egalitarian and communitarian
values, and identify with the struggles of workers over the priorities of owners.

Respondents related a shared set of values and workplace culture based on the
cooperative principles of member equality, democratic governance, the subordination of
capital to labor, and cooperative education and solidarity. While all cooperatives at least
nominally share these values, the British worker cooperative movement has adopted a
radical interpretation of each of these principles, institutionalized in policies like equal
pay, job rotation, common ownership, and collective management. These policies are
meant to promote a fuller realization of the cooperative principles than equal voting
rights alone can guarantee. However, as we will see, respondents also feared that
economic and social conditions threaten to compromise these principles.

In chapter five I discuss the implications of this communal cooperative ideology
for law and legal institutions, and for the relationship between the cooperative movement
and other democratic and egalitarian movements. I argue that the British worker
cooperative movement has developed a unique and radically democratic legal regime and
legal consciousness, which is fundamentally at odds with liberal -- elitist and technocratic
-- legal institutions, and with the separation of law and politics, and of the private and
public spheres, in liberal ideology. These cooperatives represent a movement for radical
democratization that does not fit into the standard narrative of social change in liberal
democracies, which emphasizes political parties, legislation, and court decisions.

At the same time, however, the ability of these cooperatives to maintain their
character ultimately depends on broader movements for equality and economic
conditions that reinforce, rather than undercut, cooperative principles. To conclude, in chapter six I review some theoretical issues that have interested political economists regarding the role of cooperatives in reforming or revolutionizing economic relations, as well as some theories of profit and of the firm, and suggest some promising areas for future research.
Chapter 1: Literature Review and Research Design

Most worker cooperatives, including those in the UK, have historically operated in economic sectors and in industries governed by rules and law -- and by administrative and legal institutions -- modeled around conventional for-profit firms. As described in more detail in chapter two, cooperative values and the cooperative form took shape within this legal environment but also in sharp contradistinction to it. The modern British worker cooperative organizational form and workplace culture, including members’ attitudes about work and workplace relationships, can therefore be understood as part of a dialectical relationship with this broader economic, legal, and ideological context.

A fuller appreciation of cooperative values and the worker cooperative form also requires us to situate the cooperative movement within the broader labor movement and struggles for equality and democracy. If, as I argue in chapter five, the radically democratic and communitarian precepts of cooperative law pose a fundamental challenge to the dominant legal regime, then the development of cooperative law can be considered a form of legal mobilization, and the promotion of the worker cooperative form can be viewed as a social movement in its own right.

The social movement legal mobilization literature highlights the limitations of strategies centered on legal reforms -- particularly when secured through the courts alone -- without meaningful concurrent restructuring of social and economic relations. By developing and promoting an alternative logic, structure, and legal basis of the firm, worker cooperatives represent a way to combine legal reform with the transformation of social norms and economic institutions -- albeit, as we will see, with its own limitations.
Law and Society: Legal pluralism and legal consciousness

Scholars working in the Law and Society tradition have critically engaged with the fiction of liberal legalism and explored the dialectical relationship between law and politics in both formal and informal settings, and in both the public and private spheres. In their discussion of Law and Society research, Carroll Seron and Susan S. Silbey describe the field as oriented toward asking “how consistent and predictable is judicial decision making and how can we justify nonelected powerful decision makers in representative democracy (Seron and Silbey, 2004, 32)”?

Law and Society scholars have turned away from the large-scale theory development and abstract modeling of traditional political science and sociology to “a more situated and contextualized analysis of sites of social action” in both “formal and informal settings where legal activity -- in all its guises -- may unfold (Seron and Silbey, 2004, 32).” Rather than focus strictly on what law does, “law and society scholarship has moved on to study what law means by studying law as consciousness… part of the constitution of identity, gender, and governmentality (Seron and Silbey, 2004, 51).”

Law and Society as a field traces its origins to the turn of the 20th century, when a growing number of legal scholars departed from the close textual analysis of traditional legal scholarship (“law in books”) in favor of empirical observation of how law is practiced and implemented in various formal and informal settings (“law in action”). “Whereas legal scholars study judges’ appellate decisions to identify the legal rules in force at any particular moment,” Seron and Silbey write, “students of law and society began by studying judges’ backgrounds and patterns of decision making (Seron and Silbey, 2004, 33).” The next generation of law and society scholars “reacted to what they
saw as an overly behaviorist model” and instead “studied day-to-day interactions with lawyers, plaintiffs, defendants, and other court personnel to describe the courts (Seron and Silbey, 2004, 35).”

More recently, scholars have taken yet another step beyond legal texts and the immediate sphere of formal legal institutions to investigate legality in everyday interactions and spaces. Austin Sarat and Thomas R Kerns have advocated for law and society scholars to focus on law in the practices of everyday life, such as in the family, the workplace, or schools, as well as the ways in which people ignore, reconstruct, or use law in novel ways. Sarat and Kerns argue that the two dominant perspectives in scholarship on law and society -- one in which law is seen to impose external sanctions and inducements, and another that sees law as shaping internal meanings and creating new statuses -- tend to exaggerate the importance of state law in studying society, when in fact legal consciousness is developed from the ground up as well (Sarat and Kearns, 1995).

Scholars associated with Critical Legal Studies, a radical outgrowth of Law and Society that gained momentum in the late 1970s, emphasize the relative absence of democratic control over what traditional legal discourse has designated “private” sector institutions (Fischl, 1992). The power relations of these spaces, they argue -- including the home, school, and workplace -- directly affect the lives of individuals as much as the state, if not more so. Whereas liberal theorists remain preoccupied with identifying totalitarianism in law and state institutions, Critical Legal scholars have turned their attention to the dominion of teachers, husbands, bosses, and property holders (Fischl, 1992, 799). "The law of privacy treats the private sphere as a sphere of personal
freedom,” Catharine MacKinnon observes. “For men, it is. For women, the private is the distinctive sphere of intimate violation and abuse, neither free nor particularly personal. Men's realm of private freedom is women's realm of collective subordination (MacKinnon, 1989)."

**Legal Pluralism and Legal Consciousness**

For the theoretical framework of this project, I draw specifically on the Law and Society concepts of legal pluralism and legal consciousness. Cooperative law operating in the shadow of state law is an example of what Sally Engle Merry calls “legal pluralism,” a situation in which “two or more legal systems coexist in the same social field” consisting of a formal legal system of courts and judges supported by the state, and multiple informal systems “in which the processes of establishing rules, securing compliance to these rules, and punishing rulebreakers seem natural and taken for granted, as occurs within families, work groups, and collectives (Merry, 1988, p.869).”

Conceiving of legality as plural “moves away from the ideology of legal centralism -- the predisposition to think of all legal ordering as rooted in state law -- and suggests attention to other forms of ordering and their interactions with state law.” It highlights “competing, contesting, and sometimes contradictory orders outside state law and their mutually constitutive relations to state law (Merry, 1988, 889-90).” As opposed to traditional essentialist, textualist, and dispute-centered renderings of law, the legal pluralism framework recognizes the historical and dialectical development of law, its cultural and ideological nature, and the imposition of and resistance to law in informal and non-dispute situations (Merry, 1988, 889-90).
Legal consciousness is a process through which people draw on law as a discourse to make sense of their experiences, while at the same time, these experiences shape people’s understanding of law (Albinston, 2006, 56). Rather than a static set of understandings of the world, consciousness is a dynamic process through which individuals “shape their self-awareness by invoking (and resisting) ideologies and by drawing upon systems of cultural meaning in their daily experiences and struggles (Engel, 1998, 117).” It is “the way people conceive of the ‘natural’ and normal way of doing things, their habitual patterns of talk and action, and their commonsense understanding of the world (Merry, 1990, 5). By shaping our taken-for-granted understandings of the social world, law gives meaning to social life, and, once institutionalized, such cultural systems of meaning “constrain consciousness and shape action to conform to and reproduce existing social structure (Albinston, 2006, 56).”

An early precursor to the concept of legal consciousness was that of “legal competence,” or citizens’ aptitude with the law and legal system. Legal needs studies “provided strong evidence that attitudes and behavior were related to social class and that actual experiences with lawyers and courts did modify consciousness (Engel, 1998, 123);” however the concept of competence was quickly found to be too limiting. Studies of dispute processing opened the field of research beyond courts and lawyers, and shifted focus from law’s instrumental purposes to its meaning. Researchers became more attuned to “the existence and importance of lawlike rules, structures, and practices in everyday life that do not necessarily depend on the formal legal system for their viability (Engel, 1998, 125).
Studies of legal ideology, a closely related concept, regard power, as it is organized and deployed through law, to be a central subject of study, and emphasizes the “inseparability of behavior and meaning, as revealed in the everyday routines by which people carry out their lives (Engel, 1998, 129).” Rather than focusing on individual disputes, studies of legal ideology “explore broad-based patterns of meaning-creation over extended periods of time” to better understand “the ways in which law contributes to an authoritative image of social relations and the shaping of popular consciousness in accordance with that image (Engel, 1998, 129).”

For example, Davina Cooper explores the legal consciousness of local government actors within education and corporate policymaking in the UK at a time of “juridification” -- intensive legal restructuring in the 1980s and 90s, when many commentators argued that law had “colonized local government, reforming its practices, procedures, culture, and agendas (Cooper, 1995).” Cooper contests the notion that juridification leads simply to a greater awareness of law. Instead, she finds it produces “varied and contradictory legal images,” such as law as a game of strategy and skill which anyone can play, and law as a “colonizing force, bent on achieving central government’s will (Cooper, 1995, 521).” In the different political contexts she observed, such as group meetings and community consultations, representations of law changed, as did the “character, and extent of determinism, domination, and agency (Cooper, 1995, 521);” subjects consciously chose to present law in certain ways, as an obstacle or as a tool, depending on their strategic goals and the partisan configuration of the debate.

Another study, by Mary E. Gallagher, tracks a growing tendency for Chinese citizens to frame demands and grievances in rights-claiming, legalistic language,
following the government’s “rule of law” project that accompanied the country’s embrace of state capitalism (Gallagher, 2006). Gallagher finds that legal consciousness developed in two dimensions: citizens’ evaluation of their own ability to use the law, and their evaluation of the efficacy of the legal system. While citizens reported negative perceptions of the fairness and effectiveness of the legal system following their interactions with it, they nevertheless formed positive feelings of their ability to navigate it (having learned the ropes) and planned further, more critical and informed action.

In her study of open adoptions, Barbara Yngvesson argues that law’s arbitrary and patriarchal construction of the family unit is based on a cultural interpretation of motherhood as “fundamentally outside the law, grounded in a biologically based intimacy,” while fatherhood resides “fundamentally within the law, grounded in property rights over his child (Yngvesson, 1997, 37).” Unwed mothers, but not fathers, are seen as a “social problem,” and the kind of disruption to the system these mothers represent differs according to her race, class, and age. Yet while open adoption tends to “resolve into familiar dichotomies of nature and law” it was has potential “to produce new subjectivities that defy legal categories” based on the familiar identities of “father,” “mother,” and “child (Yngvesson, 1997, 32).”

These studies investigate how people who are not legal professionals navigate legal systems and use the language and logic of law in a variety of ways to achieve their goals, even when the systems themselves are seen to be arbitrary and unfair. Legal consciousness is however not formed only through direct experience with formal legal institutions, but also indirectly through various other non-state institutions that often derive authority and legitimacy from law, and even establish their own, private systems
of law. Due to their unconventional organizational structure, legal form, and relationship to state regulatory bodies, British worker cooperatives present a unique and interesting case for the study of legal pluralism and legal consciousness.

The Legal Regime

The concept of legal consciousness has been applied by scholars at a range of scales, from legal constructions in spaces such as the workplace or home, to expansive state legal regimes. The large scale at which contestation over legal ideas can play out is illustrated by Karl E. Klare in his discussion of the development of labor law by the US Supreme Court in the 1930s and 40s. Klare argues that the 1935 Wagner Act -- “perhaps the most radical piece of legislation ever enacted by the United States Congress” -- and the subsequent Labor Board cases, which were “intended to be, and were understood as, tremendous victories for organized labor,” in fact “contained the seeds of long-term defeats” for the American labor movement. It was through this series of cases that the Court “set in motion a distinctive style of legal analysis characteristic of modern American legal consciousness that came to stand, whatever the intentions of its authors, as an ineluctable barrier to worker self-activity (Klare, 1977-1978, 270).”

Klare affirms that the Justices did not engage in any self-conscious plot or conspiracy to co-opt the labor movement, and he rejects reductionist or deterministic understandings of the Court as simply an instrument of particular economic interests. His contention is rather that the Court successively “embraced those aims of the Act most consistent with the assumptions of liberal capitalism,” while foreclosing the “potential paths of development most threatening to the established order (Klare, 1977-1978, 292).”
In doing so, the Court fashioned a new legal consciousness that can help explain results in cases where neither the logic of precedent or legislative history, nor political result-orientation, are able to do so (Klare, 1977-1978, 292).

The crux of Klare’s argument is that the turmoil of the Great Depression -- a crisis not only of economics but also of politics, culture, and law -- exposed the foundational fiction of liberal legalism. This fiction assures us that the undemocratic structure and anti-democratic role of the judiciary in liberal democracies is justified by the strict separation between law and politics, and between law and private interests, properly and normally observed by the courts.

Klare describes the essential features of liberal legalism as “the commitment to general, democratically promulgated rules, the equal treatment of all citizens before the law, and the radical separation of morals, politics, and personality from judicial action.” The modern Anglo-American form of liberal legalism includes an “adherence to precedent, separation of the legislative (prospective) and the judicial (retrospective) functions, the obligation to formulate legal rules on a general basis (the notion of ratio decidendi), adherence to complex procedural formalities, and the search for specialized methods of analysis (‘legal reasoning’) (Klare, 1977-1978, 292).”

While activists had long been well aware of the political nature of the judiciary, it was not until the Supreme Court decisions striking down early New Deal reform legislation, followed by President Franklin Roosevelt’s threat to add more sympathetic justices to the Court, that this fiction began to unravel before the wider American public, threatening to call into question the theoretical foundation of liberal democracy. The resulting political and legal crisis was finally resolved when a new, pro-New Deal
majority was formed -- famously termed “the switch in time that saved nine” -- and
Roosevelt began filling vacancies on the Court. It then fell to these justices to construct a
new legal regime which, by incorporating greater flexibility to respond to social and
political change into the Court’s jurisprudence, might save liberal legalism from itself.

In his analysis of the 1941 case *Phelps Dodge Corp. v. NLRB*\(^3\), Klare describes
how the justices, each with his own idiocentric jurisprudential style, collectively
produced a decision that represented a “microcosm of modern legal consciousness,”
characterized by a “chaotic amalgam of conceptualism and realism, ruleboundedness and
*ad hoc* balancing, deference to nonjudicial sources of law and unhesitating faith in the
superiority of the judicial mind” which “transcended political lines and attitudes as to
whether the proper judicial role is one of activism or restraint (Klare, 1977-1978, 334).”

This jurisprudential hodgepodge, Klare argues, sought to achieve two seemingly
contradictory aims: to acknowledge the political nature of the labor-capital conflict and
the state’s role in mediating it, while maintaining the fiction that the judiciary -- staffed
by professional elites, who are appointed by political elites and trained in the obscure and
complex language and reasoning of law -- could serve as an apolitical, objective, liberty-
and democracy-enhancing institution.

Klare explains that formalism:

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\(^3\) The four major questions of the case were: “(1) Does an employer violate section 8(3) by
refusing to hire job applicants because of their participation in union activity or affiliation with a
union? (2) If so, is the Board authorized under section 10(c) to order the employer to offer jobs to
such aggrieved workers? (3) Is the Board authorized to order reinstatement of aggrieved
employees who have obtained "substantially equivalent employment" during the course of the
litigation? (4) Must aggrieved employees mitigate their damages by seeking alternative work
while awaiting redress before the Board?” The Court, with some qualifications, answered each
question affirmatively, although the respective majorities were formed by different Justices
(Klare, 1977-1978, 327).
“refers to styles of legal reasoning that assume that the processes of deriving legal rules to govern new situations and of applying ascertained rules to given sets of facts can be relatively determinate, objective, and value-free operations, which proceed according to specialized modes of analytical deduction. Logically and historically, formalism is connected to formal conceptions of justice. ‘Conceptualism’ is a particular version of formalism that was the prevailing mode of thought among the legal elite in the United States in the period roughly from 1885 to 1930. The characteristic conceptualist glosses to formalism are the belief that very abstract and general principles of law can be used to resolve very concrete legal problems and an identification of legal reasoning with natural science (Klare, 1977-1978, 278).”

Realism, on the other hand,

“denotes a movement in legal thought that united thinkers of disparate political philosophies in an attack on conceptualism. As a style of legal reasoning, realism denies the objective and autonomous character of rule-formulation and rule-application and assumes the indeterminacy of legal concepts and rules. It sees legal reasoning as a purposive or instrumental, rather than a purely deductive, enterprise, and it asserts that proper judicial action requires and may legitimately involve inquiry into the social policies intended to be served by legal rules and the practical social consequences of a court's decisions (Klare, 1977-1978, 278).”

In ruling that employers violated the Wagner Act by refusing to hire job applicants because of their participation in union activity, and in affirming the Labor Board’s powers of reinstatement, the Court’s decision was seemingly a wholesale victory for workers. Yet Klare argues that by overruling a considered policy judgment of the Board with “unvarnished fiat,” the effective enforcement of the Act was profoundly undercut. The Court made it clear that it, and not the relatively more representative and accountable Board, would lay out the field -- the goals and the out-of-bounds -- on which labor disputes would play out. When applied by the Court to subsequent cases, this new labor law regime cemented a reading of the Wagner Act which precluded a radical interpretation that would promote powerful workers' organizations that might “acquire
equal bargaining power with corporations, accomplish a redistribution of income, and
subject the workplace to a regime of participatory democracy (Klare, 1977-1978, 285).”

Klare’s analysis highlights how judges can play an important role in shaping legal
consciousness, particularly in countries like the US where “to a degree unprecedented in
the capitalist world, the judiciary directly and creatively intervened in the workplace and
was crucially involved in designing the architecture of the modern, administered, and
regulated system of class relations (Klare, 1977-1978, 336).” For Klare, the significance
of legal ideology is not the rightness or wrongness of any particular theory of
jurisprudence, but the way in which different theories -- from originalism to living
constitutionalism -- can represent a range of political commitments while sharing a
commitment to the broader liberal economic and political order. It’s no coincidence then
that in capitalist states both the workplace and the judiciary are largely devoid of direct
democratic control.

In the UK, the birthplace of common law, legal interpretation has historically
been the province of the House of Lords (until judicial functions were assumed by the
Supreme Court in 2009), an unelected body composed of hereditary peers, life peers
appointed by the monarch, and bishops of the Church of England. Although it might be
assumed that the British judiciary has exercised considerably less influence over the
development of law than its American counterpart (with its claim to supremacy), in fact
British courts have taken an active role in shaping legal procedures and doctrine (see,
including the adversarial system itself, basic standards like actus rea (guilty act) and
mens rea (guilty mind), offenses such as murder, manslaughter, and assault, and major
landmark cases such as *Somerset v Stewart* (1772 case in which the English Court of King’s Bench held that slavery was not supported by positive law) and *Taff Vale Railway Co v Amalgamated Society of Railway Servants* (1901 case in which the House of Lords held that at common law, unions could be held liable for loss of profits to employers that were caused by taking strike action.)

Some scholars do however highlight the different trajectories of British and American law and labor movements. William E. Forbath argues that the nineteenth-century American and British labor movements were initially similar in their development and radical goals; around the turn of the century, however, American trade unions’ encounters with the legal system led them to abandon their broad reform agenda and instead divert their energies toward repealing judge-made law limiting strike action. In the process, Forbath argues, “labor leaders adopted the liberal, laissez-faire language of the law as a framework within which to contend for legitimacy and relief (Forbath, 1989).”

Catherine Fisk makes the related argument that at the turn of the century “the dominant forces of American labor embraced voluntarism” -- the notion that the conditions of labor are best regulated not by state mandates but by private agreement between employers and unions (Fisk, 1994, 152). In opting for “liberal contractualism’s hallmark institution of ‘employee benefits’ instead of social insurance (Fisk, 1994, 185),” American labor leaders “made a choice that profoundly influenced much of American social welfare legislation” and “helped create a dominant ideology that has cramped American legal imagination about the possibilities of law to soften the harsher faces of capitalism (Fisk, 1994, 152).”
Writing in 1994, Fisk observed that “the struggle over private pensions and health care reform is evidence that we are still working out the consequences of labor’s choices (Fisk, 1994, 152).” In the UK, by contrast, the Labour Party with the support of labor unions established the National Health Service (NHS) and passed the National Insurance Act 1946. The universal service provision of the NHS effectively decoupled healthcare from the vagaries of the employment relationship, establishing healthcare as a basic function of government and a right.

Christopher Tomlin describes how law, after coexisting with the authoritative discourses of religion, family, community, and clientage for much of British colonial history, in America moved from the periphery to “a position of supreme imaginative authority” from which, by the end of the 18th century, “its sphere of institutional and normative influence appeared unbounded (Tomlins, 1993, 21).” Law’s internal intellectual organization moved from “a series of discrete and loosely connected discourses” to one holistic, “scientific” discourse that culminated in the new republic’s superordinate ideology of the “rule of law (Tomlins, 1993, 21-22)” a distinctly liberal imaginary that reinforced “...social and economic individualism, the protection of property, a filtered democracy, and a hobbled state (Tomlins, 1993, 26).”

Noting that law’s centrality in American life is a generally accepted hypothesis, Tomlin asks why this is important. His response is that common law institutions have not been only a medium in which capitalist relations have played out, they also have a life and logic of their own, “biases which helped steer the early republic’s unfolding new order in a particular direction: toward an ever more pronounced conceptual distinction between public and private realms of activity,” toward a conception of the state as a
threat to individual rights, and above all toward “an ascendant role in the American polity for the discourse and institutions of the common law itself (Tomlins, 1993, 28).” This legalistic path can be contrasted with that of continental Europe and its civil law systems, where legal discourse and institutions have been less dominant.

The claim here is not that law and the judiciary should be understood to exert independent influence on economic developments and political forces, but rather that legal institutions and the legal consciousness they promote are critical elements of these social relationships and conflicts, often serving to legitimate hegemonic power structures, but also open to progressive reformulations and vulnerable to radical challenges.

In cases like *Taff Vale Railway Co* (1901), for example -- in which the House of Lords ruled that unions could be liable for loss of profits to employers caused by strike actions -- liberal elites can be seen to have overplayed their hand, spurring the ascendancy of the Labour Party, the passage of the Trade Disputes Act 1906 reversing the decision and granting unions broad immunity, and consolidating the labor movement’s distrust of the judiciary (Honeyball, 2011, 155). While union protections would eventually be substantially weakened by the Thatcher government, the Trades Disputes Act, like the Wagner Act, broadened not only workers’ rights but their legal consciousness as well. “It is difficult, at the present time,” economist Joseph Schumpeter wrote of the Trade Disputes Act several decades after its adoption, “to realize how this measure must have struck people who still believed in a state and in a legal system that centered in the institution of private property (Schumpeter, 1942, 321).
Law, Politics, and Social Change

Law and Society scholarship has in addition sought to challenge what was seen as an unfounded faith, cultivated during the years of the Warren Court, in the ability of legal mobilization strategies to bring about meaningful and enduring progressive social change, when the legal system has been found to be almost hopelessly stacked against the poor and unorganized to begin with.

Stuart Scheingold interrogates what he calls the “myth of rights,” the conventional legalist perspective promoted by lawyers, judges, and academics who see law as “not only separate from political life but a mode of social action superior to mere politics (Scheingold, 2004, 8); Scheingold adopts Judith Shklar’s description of legalism as “the ethical attitude that holds moral conduct to be a matter of rule following, and moral relationships to consist of duties and rights determined by rules (Scheingold, 2004, 4).” Legalistic thinking, Scheingold contends,

“...tunnel[s] the vision of both activists and analysts leading to an oversimplified approach to a complex social process—an approach that grossly exaggerates the role that lawyers and litigation can play in a strategy for change. The assumption is that litigation can evoke a declaration of rights from courts; that it can, further, be used to assure the realization of these rights; and finally, that realization is tantamount to meaningful change. The myth of rights is, in other words, premised on a direct linking of litigation, rights, and remedies with social change (Scheingold, 2004, 5).”

4 For example, Marc Galanter discusses the way in which the legal system tends to confer advantages on groups that he calls the “haves” or “repeat players” who are engaged in many similar low-stakes litigations over time and have the resources to pursue their long-run interests. The “have nots,” on the other hand, are “one shotters” who lack the time, resources, and expertise to mount an effective challenge. Galanter concludes that while legal mobilization may serve to secure or solidify symbolic commitments, and can be vital in tactically securing temporary advantages and protections, under such conditions litigation is unlikely to decisively redistribute power in society. Reforms aimed at changing the rules to level the playing field will have little effect, he adds, as long as power imbalances persist outside the legal system (Galanter, 1974).
Scheingold argues that the myth of rights functions to obscure several powerful constraints on the effectiveness of litigation-driven change, such as the baked-in liberal and anti-democratic slant of existing constitutional and statutory law, the elite bias of lawyers and judges, and the cost of litigation in time and money. Even when successful, legal strategies threaten to result in symbolic victories rather than substantive change, leading groups to believe they have rights that do not in fact materialize.

For Scheingold it is clear from available research that, far from independent, “law is inextricably intertwined with politics, and in this combination politics is the senior partner. Laws are delivered to us by the dominant political coalition as are the judges and other officials responsible for interpretation and implementation (Scheingold, 2004, 204).” Any legal strategy that takes the myth of rights seriously is therefore destined to fail. While Scheingold admits that the language of rights can contribute to political activation and mobilization, he warns that if meaningful and enduring social change is to be achieved, litigation should be employed as a contributory tactic, and rights understood to be tools, and not ends in themselves. Legal mobilization can play a part in progressive social change, Scheingold concludes, only insofar as the myth of rights is traded for a clear-eyed politics of rights (Scheingold, 2004, 83).

**Law and Social Change**

In The Hollow Hope, Gerald Rosenberg makes the bold claim that the courts “can almost never be effective producers of significant social change (Rosenberg, 2008, 5).” Taking stock of legal mobilization around civil rights, women's rights, the environment, reappointment, and criminal law in the US, Rosenberg concludes that courts can produce
social reform only if several conditions are met: first, other actors offer positive incentives toward compliance; second, outsiders impose costs to induce compliance; third, decisions can be implemented by the market itself; and fourth, decisions offer rationalizations for those already willing to act. Constraints on the courts bringing about significant social change, on the other hand, include the limited nature of constitutional rights, the lack of independence from the other branches of government, and a lack of judicial implementation power. Activists who look to the courts to achieve their aims, Rosenberg concludes, may want to reconsider where they invest their precious resources.

If courts cannot do much good, then it bears asking whether they can do much harm. These and other studies have shown that courts can help to create obstacles for popular and progressive movements, and it can be argued that have done so far more often than not: for every Loving v. Virginia (1967 decision invalidating laws prohibiting interracial marriage), Roe v. Wade (1973 case extending the right to privacy to a woman’s decision to have an abortion), and Obergefell v. Hodges (2015 case ruling that the fundamental right to marry is guaranteed to same-sex couples), there is a Dred Scott v. Sanford (1857 case holding that African Americans could not be considered American citizens), Plessy v Ferguson (1898 decision upholding state segregation laws), Korematsu v. United States (1944 decision upholding the internment of Japanese Americans during World War II), Lochner v. New York (1905 decision finding an implicit “liberty of contract” and striking down a New York law limiting working hours), Bowers v. Hardwick (1986 decision upholding a Georgia sodomy statute that criminalized gay and lesbian relationships), and Citizens United v FEC (a 2010 decision holding that political donations are speech protected by the first amendment.)
Michael McCann’s *Rights at Work* however offers a counterpoint to this scholarship in its evaluation of the legacy of the pay equity movement’s legal strategy in the 1970s and 80s (McCann, 1994). McCann responds to commentators who, following the Court’s conservative turn in the mid to late 1980s and the reversal of many of the movement’s early gains, had been quick to discount the potential for legal mobilization to affect progressive social change. While he accepts the realist position that the ideological and partisan composition of the courts ultimately determines the outcome of cases, McCann argues that legal strategies can benefit movements even when courts rule against them if they are successful in raising expectations, providing politicizing experiences and opportunities for collective action, and legitimizing rights-based claims through the cultivation of an enduring legal consciousness. Indeed the female activists and workers McCann interviews “repeatedly emphasized… that perhaps the single most important achievement of the movement has been the transformations in many working women’s understandings, commitments, and affiliations - i.e., in their hearts, minds, and social identities (McCann, 1994, 230).”

McCann charges that neo-realists, who view rights talk as empty rhetoric, underestimate law’s constitutive power, while structuralists, who view law as a conceptual “straightjacket” which functions to mystify hierarchy, overdetermine law’s ideological grip on the experiences of citizens (McCann, 1994, 301). McCann proposes that rights instead be understood as cultural conventions that are used by people to negotiate material relations with each other, and that legal reform efforts “not be judged by their initial goals, local scale of conflict, or immediate outcomes (McCann, 1994, 307).” Ultimately McCann agrees with Scheingold that “rights, like the law itself, do cut
both ways -- serving some times and under some circumstances to reinforce privilege and at other times to provide the cutting edge of change (Scheingold, 2004, 76).”

Taken together, this literature attempts to demystify and reorient our understanding of law: illustrating the ways law acts as ideology, and highlighting the role of legal professionals and other elites in crafting legal ideology to legitimize and reproduce social and economic relations. A critical conceptualization of law, while highlighting the anti-democratic features of liberal legalism and the perils of overly legalistic thinking and activist strategies, can also identify alternative, emancipatory notions and systems of formal, and informal, law.

Have British worker cooperatives been successful in developing such a legal regime in the context, and in the shadow, of capitalist economic and liberal legal hegemony? And if so, what limitations and challenges do these cooperatives face?

**Research Design**

Case studies are indispensable to any field of study because they can contribute to theory development by challenging extant theories and questioning conventional wisdom; indeed, they allow researchers to identify, form, and clarify the basic concepts and understandings of causal mechanisms that inform quantitative work (Miller, 2008). For legal scholars, case studies are essential for identifying and analyzing new legal phenomena and for refining and redefining legal concepts -- and ultimately for challenging existing assumptions and theories about how law works in society (Miller, 2008).
This case study was undertaken with the aim of better understanding how British worker cooperatives operate, and how their members’ conceive of work and workplace relationships, within a larger economic and legal system and culture that developed around a very different set of assumptions, values, and power dynamics. Before large-scale surveys on cooperative policies and member attitudes can be conducted, however, research is needed to determine what sorts of policies and issues may or may not be relevant.

British worker cooperatives have historically been concentrated in food retail and distribution, or in labor-intensive services and artisanal trades that do not have large capital requirements to start up. The sample for this study reflects that tradition: the two large cooperatives consist of a grocery store and food wholesalers and the nine small cooperatives consist of two bakeries, two bike shops, two printers, a soap manufacturer, a bar and cultural space, and an acupuncture clinic.

Thirty-four interviews were conducted for this study, alongside analysis of the rules and governance structures of eleven worker cooperatives. Thirty-two members were interviewed at eleven worker cooperatives in or near the English cities of London, Manchester, Leeds, and Birmingham from 2015 to 2017 (see Table 1). Of these members, one was also a member of a secondary cooperative, Radical Routes (located in Leeds and composed of 26 housing cooperatives and seven worker cooperatives), one was also a board member of a taxi cab mutual, T.O.A. Taxis (located in Birmingham) and two were also members of the Worker Co-ops Council of Co-operatives UK. Additional interviews were conducted with one board member of a consumer cooperative, Midcounties Co-operative (headquartered in Warwick, with over 400,000 consumer
members and 9,000 employees), and one director member of a multi-stakeholder cooperative, Revolver Coffee (located in Wolverhampton with 260 members), for a total of 34 interviewees. All interviews were conducted on-site, and were recorded on paper, semi-structured, and anonymized. Interviewees were assigned an individual number and are referenced in the footnotes.

Two of the cooperatives, with approximately 170 and 75 workers respectively, were fairly large by worker cooperative standards, although they would be considered “mid-sized businesses” by law (Companies Act 2006). The other nine cooperatives ranged in size from five to 13 members. Fifteen of the members interviewed worked at the large cooperatives and 17 worked at the small cooperatives. The members interviewed identified roughly equally as male and female, and all were British citizens. Members estimated that at both large cooperatives approximately 80-85% of the workers were members and 15-20% were casual or probationary workers, while at the small cooperatives all workers were members. The cooperatives had been in business from five to 40 years; in general the older the cooperative, the larger the membership.

Table 1: Worker Cooperative Types and Interview Respondents

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Age</th>
<th>Industry</th>
<th>Product or Service</th>
<th>Size</th>
<th>Respondents</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMA Wholesalers</td>
<td>Elland (outside Leeds)</td>
<td>40</td>
<td>Retail, Distribution</td>
<td>Wholesale Foods</td>
<td>~150</td>
<td>12</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Unicorn Grocery</td>
<td>Manchester</td>
<td>21</td>
<td>Grocery</td>
<td>Groceries</td>
<td>~75</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Calverts Cooperative</td>
<td>London</td>
<td>23</td>
<td>Services</td>
<td>Printing, Graphic</td>
<td>13</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Print</td>
<td>Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warf Chambers</td>
<td>Leeds</td>
<td>14</td>
<td>Restaurant and Cultural</td>
<td>Food, Entertainment</td>
<td>9</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Footprint Workers Co-op</td>
<td>Leeds</td>
<td>9</td>
<td>Services</td>
<td>Printing, Graphic Design</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Three Bees Co-op</td>
<td>Manchester</td>
<td>5</td>
<td>Manufacturing</td>
<td>Soaps</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Loaf Bakery</td>
<td>Birmingham</td>
<td>7</td>
<td>Food</td>
<td>Baked Goods</td>
<td>7</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Leeds Bread Cooperative</td>
<td>Leeds</td>
<td>14</td>
<td>Food</td>
<td>Baked Goods</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Leeds Bike Mill</td>
<td>Leeds</td>
<td>6</td>
<td>Retail and Services</td>
<td>Bike Sales, Repair, and Education</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>The Acupunctur e Works</td>
<td>Manchester</td>
<td>9</td>
<td>Services</td>
<td>Alternative Medicine</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Birmingham Bike Foundry</td>
<td>Birmingham</td>
<td>7</td>
<td>Retail and Services</td>
<td>Bike Sales, Repair, and Education</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>T.O.A. Taxis</td>
<td>Birmingham</td>
<td>56</td>
<td>Transportation</td>
<td>Taxi Service</td>
<td>365</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34</td>
<td>17</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

* Interviews were also conducted with one member of a secondary co-operative, Radical Routes (02/11/16), one member of a consumer co-operative, Midcounties Co-operative (09/10/17), and one member of a multi-stakeholder co-operative, Revolver Coffee (09/10/17).

To locate worker cooperatives I browsed the entirety of the Co-operatives Directory (https://www.uk.coop/directory) hosted by Co-operatives UK, the largest cooperative organization in the UK. I contacted by email all listings which identified the business as a worker cooperative and provided website or contact information, and I visited all cooperatives that responded and were able to schedule a visit. All interviews
were conducted on-site. Interviews at the two largest cooperatives were conducted individually, while interviews at the smaller cooperatives, with the exception of a single interview, took place in a group of two to three members. The individual interviews typically lasted from 20 to 40 minutes, while the group interviews lasted from one to two hours. Interviews were recorded on paper, semi-structured, and anonymized to facilitate candor.

The constitutional rules and statements of principles of the cooperatives were obtained and reviewed. All of the cooperatives were registered as either Industrial and Provident Societies or Co-operative Societies. All were members of Co-operatives UK, and two were also members of the cooperative network Radical Routes. The cooperatives in this study had all instituted participatory democratic governance, communal (asset locked) property, wage equality, and job rotation (see Table 2). None of the cooperatives admitted non-worker members or attached voting rights to externally raised capital. All but one of the cooperatives had received legal, organizational, or financial assistance from Co-operatives UK, and contributed to a fund to finance cooperatives.

All of the cooperatives had adopted model rules from either Co-operatives UK or its predecessor, the Industrial Common Ownership Movement, and there were only minor variations between rules. Governance however differed notably between the large and small cooperatives. The large cooperatives made major decisions by majority vote at general meetings and delegated day-to-day decision-making to an annually elected management committee and to departments. The small cooperatives were, on the other hand, managed collectively and through consensus, and rarely or never held formal votes at general meetings.
Table 2: Worker Cooperative Structure and Rules

<table>
<thead>
<tr>
<th>Name</th>
<th>Elected Management</th>
<th>Collective Management</th>
<th>Employs Non-members</th>
<th>Equal Pay</th>
<th>Asset Lock</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMA Wholesalers</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Unicorn Grocery</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Calverts Cooperative Print</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Warf Chambers</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Footprint Workers Co-op</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Three Bees Co-op</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Loaf Bakery</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Leeds Bread Cooperative</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Leeds Bike Mill</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>The Acupuncture Works</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Birmingham Bike Foundry</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>T.O.A. Taxi</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
Provisions that were typical of the cooperatives’ rules include the following (see Appendix C for full model rules):

<table>
<thead>
<tr>
<th>Box 1</th>
<th>Sample of Typical Worker Cooperative Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose:</strong></td>
<td>The purpose of the Co-operative is to carry out its function as a co-operative and to abide by the internationally recognised co-operative values and principles of cooperative identity as defined by the International Co-operative Alliance. This rule may only be amended by an Extraordinary Resolution.</td>
</tr>
<tr>
<td><strong>Borrowing from Members:</strong></td>
<td>In accordance with the Co-operative Principle of member economic participation the interest paid by the Co-operative on money borrowed from Members shall not exceed such rate as is necessary to attract and retain the capital required to further the Cooperative’s objects and purpose.</td>
</tr>
<tr>
<td><strong>Membership:</strong></td>
<td>All Employees of the Co-operative may be admitted to membership of the Cooperative, except that the Co-operative in a general meeting may by a majority vote decide to exclude from membership: (a) Newly appointed Employees during such reasonable probationary period as may be specified in their terms and conditions of employment; (b) Employees working less than a prescribed number of hours per week (or per month); provided that any such criteria for exclusion is applied equally to all Employees. In accordance with the Co-operative Principle of voluntary and open membership, whilst the Co-operative shall undertake to encourage its Employees to become Members, membership must be voluntary and as a result cannot be a condition of employment.</td>
</tr>
<tr>
<td><strong>Member Commitment:</strong></td>
<td>All Members agree to attend general meetings and take an active interest in the operation and development of the Co-operative and its business. In accordance with the Co-operative Principle of education, training and information, the Co-operative shall provide potential Members with information about what the role of a Member is within the Co-operative and will provide training in the skills required to be a Member and to participate in the operation of the Co-operative. The Co-operative shall provide ongoing education and training in co-operative values and principles and associated topics. The Co-operative shall support its Members by ensuring that general meetings are accessible and encourage participation.</td>
</tr>
<tr>
<td><strong>Share Capital:</strong></td>
<td>The shares of the Co-operative shall be of the nominal value of £1 issued to persons upon admission to membership of the Co-operative. The shares shall be fully paid prior to issue, neither Transferable nor Withdrawable, shall carry no right to interest, dividend</td>
</tr>
</tbody>
</table>
or bonus, and shall be forfeited and cancelled on cessation of membership from whatever cause, and the amount paid up on such cancelled shares shall become the property of the Co-operative. Each Member shall hold one share only in the Cooperative.

**General Meetings:** The Co-operative shall, within six months of the end of the financial year, hold a general meeting of the Members as its annual general meeting and shall specify the meeting as such in the notice calling it. In accordance with the Co-operative Principle of democratic member control, the Cooperative shall ensure that, in addition to the annual general meeting, at least four other general meetings are held annually. The purpose of these meetings is to ensure that Members are given the opportunity to participate in the decision making process of the Co-operative, review the business planning and management processes and to ensure the Co-operative manages itself in accordance with the co-operative values and principles.

**Voting:** In accordance with the Co-operative Principle of democratic member control, each Member shall have one vote on any question to be decided in general meeting. A resolution put to the vote at a general meeting shall be decided on a show of hands unless a paper ballot is demanded.

**Resolutions:** Decisions at general meetings shall be made by passing resolutions: The following decisions must be made by Extraordinary Resolution: (i) Decisions to expel Members; (ii) Decisions to dispose of assets of the Co-operative equivalent in value to one-third of the Co-operative’s last published balance sheet, as detailed in these Rules; (iii) Any amendment to the Co-operative's Rules; (iv) The decision to wind up the Co-operative. (b) All other decisions shall be made by ordinary resolution. An Extraordinary Resolution is one passed by a majority of not less than 75% of votes cast at a general meeting and an ordinary resolution is one passed by a simple majority (51%) of votes cast.

**Disputes:** In the event of a dispute between the Co-operative or its Board and a Member of the Co-operative or a former Member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute or in the absence of agreement to be nominated by the Secretary General of Co-operatives UK (or any role or body that succeeds to its function). The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the county court (or in Scotland, to the sheriff).

**Application of Profits:** Any profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the annual general meeting: (a) To a general reserve for the continuation and development of the Co-operative; (b) To paying dividends to Members, either equally or in accordance with some other equitable
formula which recognises the relative contribution made by each Member to the business of the Co-operative; (c) To making payment for social, co-operative or community purposes within the community served by the Co-operative.

Amalgamation, Transfer of Engagements and Conversion: The Society may by special resolution amalgamate with, or transfer its engagements to another registered society subject to at least the same degree of restriction on the distribution of profits and assets as imposed on this Society by virtue of these Rules.

Common Ownership: The Co-operative is a common ownership enterprise. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the Members, but shall be transferred to some other common ownership co-operative(s), or to Co-operatives UK (or any body that succeeds to its function). If such residual assets cannot be distributed in this manner they shall be transferred to some other organisation(s) whose purpose is to promote and support the co-operative movement and common ownership enterprises. This rule may only be amended by Extraordinary Resolution.

Amendments to Rules: Any of these Rules may be rescinded or amended or a new rule made by an Extraordinary Resolution at a general meeting of which 14 Clear Days' notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of Rules is valid until registered by the Registrar.

This information shows that among British worker cooperatives some important variation exists -- such as in industry, size, and decision-making practices – but there is also a great deal of congruity, namely in the adoption of similar rules regarding membership, voting, and ownership. A central question therefore is to what extent these cooperatives’ similarities form a coherent organizational and legal form and culture, and how their differences might impact that coherence.
Chapter 2: British Cooperatives, Then and Now

The cooperative principles and organizational form developed over nearly two centuries in the context of rapid industrialization and mass opposition to the alienation and exploitation of workers under the capitalist mode of production. As this chapter illustrates, British worker cooperatives were an important part of this struggle, yet owing to their unique mode of worker empowerment -- merging labor and capital rather than attempting to equalize them, and socializing capital chiefly at the level of the enterprise rather than the state -- significant tensions arose between worker cooperatives and labor unions, the Labour Party, and even consumer and other cooperatives.

Today British worker cooperatives, operating with little state involvement and observing high cooperative standards, differ even from many worker cooperatives in other parts of the world. The criticism that such high standards are “utopian” and too restrictive, leveled by commentators both within and outside the cooperative movement, is indicative of the challenges worker cooperatives face in attempting to compete in a political and economic environment geared toward the interests of firms that have a structural incentive to maximize profit and reduce labor costs.

2.1 History of British Cooperatives

Robert Owen and the Rochdale Pioneers

Outside the headquarters of the Co-operative Bank in Manchester stands an eye-catching statue of Robert Owen, one of the earliest proponents of cooperation. A successful Welsh cotton mill manager working out of Manchester at the turn of the 19th
century, Owen first applied reformist ideas to a plant he managed in New Lanark, Scotland, and eventually joined with like-minded reformers to buy out the mill and institute a new and radical system that would prioritize workers’ health, safety, and quality of life over profit (Webb, 1904, 10).

Owen’s experiment was widely considered to be a success, attracting attention not only from other business owners and reformers but also members of Parliament and foreign governments. Owen’s innovations included reducing the workday from 14 or more hours a day to 10, selling high-quality goods to workers for near their wholesale cost, continuing to pay full wages during downturns, and investing a percentage of profits in early childhood education (Webb, 1904, 10).

Hoping to extend these reforms across the industry, Owen took up the cause of child labor regulation and successfully lobbied Parliament to pass the Factory Act of 1819, which raised the minimum working age to nine and reduced the working day to 12 hours for children under 16 in cotton mills nationally. An accomplishment though it was, the outcome of his efforts fell far short of what he had set out to achieve. Increasingly frustrated with the political process, Owen returned to his experimentation with cooperation (Webb, 1904, 30).

Despite the positive attention the New Lanark mill received, Owen’s public advocacy of increasingly radical ideas began to earn him the disdain of the English business community, and he was forced, in 1826, to largely self-finance his new and ambitious cooperative project in New Harmony, Indiana. When that project ultimately failed several years later, Owen returned to London and devoted the remainder of his life and resources to promoting labor reform, unionism, and cooperative values. It was during
this period that the British cooperative movement began to gain traction (Webb, 1904, 30).

In 1944, the Rochdale Society of Equitable Pioneers, one of the first consumer cooperatives, was founded in Rochdale, England. Unlike Owen’s and other reformers’ projects, the Rochdale cooperative was created and run by its member-owners, who began by pooling together contributions of 1£ each to purchase bulk food items. Many of the original 28 members had been involved in previous cooperative ventures or subscribed to various reformist ideals. They were aware of the pitfalls of earlier experiments and the difficulties that they would doubtlessly face, and had decided that a new organizational paradigm was needed (Webb, 1904, 59).

The Rochdale Society crafted the first principles of cooperation, thereafter called the Rochdale Principles -- the precursors of today’s cooperative principles. They stipulated that members be charged no more than market prices, that profits be divided in proportion to the amount of purchases made by each member, that credit be prohibited, that the principle of “one member one vote” obtain in government, that the equality of the sexes be observed in membership, that only high-quality provisions be supplied to members, that management be elected periodically, that frequent statements and balance sheets be presented to members, and that a definite percentage of profits be allocated to cooperative education (National Co-operative Archive, 2016).

The inclusion of strong standards pertaining to equality in decision-making, managerial accountability, preventing accruing and profiting from debt, and transparency, distinguished this new form of association from other forms of the time -- namely the joint-stock company -- and suggests that the founders sought to create a business model
based on self-help, mutual aid, and democratic participation and equality, rather than profit making.

While the Rochdale Society was understood by its members to be first and foremost an association for the promotion of members’ collective interests, the original principles incorporated standards that did not, on their face, directly benefit the original all-male membership, such as the provision for equality of the sexes in membership, and the allocation of a percentage of profits to education. Indeed the Society had wider social aims as well, such as promoting sobriety with the establishment of a temperance hotel during a time of epidemic alcoholism (National Co-operative Archive, 2016).

Moreover, the objectives of the Society were not limited to providing goods for its members: its rulebook laid out a much broader plan, including the building or purchasing of homes to provide shelter and community space for members, and the purchase of land to give un- or underemployed members the opportunity to earn an income from farming. Together, the store, homes, and farms would provide members with a variety of resources and assistance that were not being adequately provided by church charities or the state., The Society furthermore pledged to help other societies establish such “colonies of united interests” when possible (Rochdale Pioneers Museum, 2016).

Within a decade of Rochdale’s founding, the number of cooperatives in the UK had grown to over one thousand. The influence of Owen and the Pioneers on the burgeoning movement was substantial: the Society’s codification of Owen’s ideas into a charter of principles provided a blueprint for groups seeking to pool resources, but for whom the joint-stock company and partnership forms were inaccessible due to capital and other requirements. Under the cooperative form, firms enjoyed considerable
flexibility in devising their own company rules depending on their trading, producing, credit, or housing needs, while maintaining a unified identity and support network based on democratic and cooperative principles (Webb, 1904, 44).

The Industrial Revolution and Chartism

The cooperative movement developed in response to the massive political and social upheavals of late 18th century Europe, brought on by the spread of industrialization and the capitalist mode of production. Widespread economic dislocation and social unrest first struck northern England, where thousands of enclosure acts between 1604 and 1914 deprived peasants of nearly seven million acres of common land, forcing them to migrate to cities where their only means of subsistence were hazardous, poorly-paid factory jobs (UKP, 2018). While periods of economic growth and demand for labor saw rises in wages and improvements in living standards, frequent economic downturns left workers entirely unprotected from unemployment, poverty, and starvation in the interim (Thompson, 1963, 189-212).

With intolerable workhouse conditions (intentionally made so under the English Poor Laws in order to force workers into the open market), and in the absence of any other form of public assistance, working class people began to establish various types of self-help organizations such as Mutual Aid Societies, which provided financial payments and assistance to members in case of sickness, unemployment, or death. Initially operating outside the law -- which had prohibited “combinations” of workers since the revolutionary period -- these societies were first given legal form in the Friendly Society Act of 1793 (an act which also outlawed trade unions). A number of bills were
subsequently introduced over the course of the 19th century to encourage Friendly Societies, as Parliament came to recognize their utility in lessening the public burden (Thompson, 1963, 418-47).

The first cooperative or quasi-cooperative industrial businesses formed in the flour and milling industries by the end of the 18th century, in response to the widespread practice of foodstuffs adulteration by profit-seeking millers (Zeuli, 1980, 6). Building societies emerged in the 1770s in Birmingham, in which members contributed a specified amount each week into a common fund, from which the club would purchase land and build a home for one of the members as determined by lot. Members who had received their home were obligated to continue making their weekly contributions until the club had purchased a home for every member and the society was terminated (Peterson, 1991).

Members of the working class without property lacked the right to vote or to run for office. Workers gathered on street corners and on factory floors to organize petition drives, strikes, and demonstrations protesting miserable working conditions, economic insecurity, and lack of representation. Employers and the state responded with targeted surveillance, censorship, and violent suppression. Due to the important role they played in organizing workers and disseminating radical ideas, working class pamphleteers and newspapers were frequent government targets. Both in spite of and as a result of state repression, cities throughout England fast became hotbeds of class conflict and political radicalization, particularly those in the industrial north (Thompson, 1963, 189-313).

Out of these early struggles between workers and the state sprung Chartism, a national reformist protest movement named after the People’s Charter of 1838, a petition
demanding the extension of democracy through male suffrage, frequent elections, equal representation, the secret ballot, and the payment of salaries to, and removal of property requirements for, members of Parliament. Active from the late 1830s to the late 1860s, the movement brought together a number of reformist movements and proposals into a more coherent whole, representing the first widespread, largely peaceful mobilization of the working class throughout England around a political platform (Thompson, 1963, 193).

The Chartists and cooperative movements shared many adherents as well as many basic features and aims. Both movements were based in the industrial city of Manchester, where progressive and radical workers and thinkers met in pubs after (or instead of) work to debate and sketch out the beginnings of labor unionism and a distinctively working class politics. The overarching aim for both movements was the extension of democracy both as a good in itself and as means to secure greater power for the working class. Both moreover coalesced around a set of principles -- the People’s Charter and the Rochdale Principles, respectively -- that represented their common objectives and identities as movements.

The two movements parted ways in an important respect, however: whereas Chartists principally sought greater access to electoral politics, the cooperative movement largely eschewed the political arena in favor of establishing democracy directly in the workplace (Thompson, 1963, 183). Although the two aims were not necessarily at odds, inevitably disagreements arose over how to best direct attention and resources; this tension between electoral and nonelectoral strategies remains a feature of working class organizing today.
The Chartist movement dispersed before any of its demands were met, although eventually Parliament would concede several, including expanded male suffrage in 1867, the secret ballot in 1872, and the payment of MPs in 1911. Although short-lived, the movement spawned a generation of labor activists who would go on to found the first union for unskilled workers, the first international labor association (the International Workingmen’s Association) and, in 1899, the British Labour Party.

**Development of the Cooperative Legal Form**

Cooperative societies inspired by Rochdale’s model spread throughout northern England in the late 1840s, ranging from small-scale craft productive societies, to large wholesale groups with global supply chains and cooperative banks and retail societies with thousands of members (the most important of these being the Co-operative Wholesale Society, established in 1863, and the Co-operative Bank, established in 1872.) The earliest cooperatives adopted the Friendly Society form, as it was more appropriate than the partnership and the joint-stock company forms -- the former permitting no more than 25 members and the later requiring transferable shares, preventing cooperatives from ensuring that only members held shares. With the help of the politically influential Christian Socialists, who shared many cooperative ideals, the cooperative form was recognized in law under the Industrial and Provident Societies Act of 1852 and developed in subsequent Acts until the 1890s, when cooperatives were finally uncoupled from Friendly Society law (Snaith, 1996).

Through this series of acts, a distinctive alternative to the shareholder firm took shape. The joint-stock company and industrial and provident society evolved to share
many characteristics: both gained limited liability and corporate legal personality, binding legal authority for their rules, and safeguards for the savings of their investors, and both could own property, bring and defend proceedings, and invest in other firms. The critical distinction was that cooperatives, unlike joint-stock companies, did not pay bonuses or dividends on shares, and instead any surplus was reinvested in the organization to further its objects, used to pay dividends to members (either equally or in proportion to their trade with the organization,) to pay limited (5 percent) interest on share capital, or make payments for social, cooperative, or community purposes within the community served by the cooperative (Co-operatives UK, 2011).

By the end of the century, the most prominent form of cooperative was the distributive society, or consumer cooperative, which provided customer members with access to high quality basic goods and services, with the added bonus of paying a dividend to customer members based on their trade (purchases) with the society. In productive societies or worker cooperatives, on the other hand, the primary recipients of the dividend, paid as wages and end-of-year bonuses, were the workers. By 1900, nearly 1,500 distributive or consumer cooperatives counted over 1,700,000 members, while productive or worker cooperatives only numbered around 150 with just over 33,000 members (Webb, 1904, 132).

Mixed societies, which came to be known as multi-stakeholder cooperatives, distributed surpluses to several classes of members and various reserves and funds. In the case of the Leeds Co-operative Plasterers Society Limited, for example, 40% of surplus went to workers (in proportion to earnings), 10% to a provident fund, 2.5% to an education fund, 10% to the committee, 7.5% to shareholders, and 30% to customers (in
proportion to trade with the society (The National Co-operative Archive, 2016)). So while consumer and worker cooperatives generally developed on distinct models with different primary beneficiaries -- consumers and workers, respectively -- at the same time some cooperatives incorporated several classes of members, and sometimes included separate management and a limited number of shareholding members in order to raise capital more easily.

**Organizational and Ideological Conflict**

Beatrice Webb, in her 1904 book *The Co-operative Movement in Great Britain*, describes the cooperative movement as forming a “state within a state,” comprised of the institutions of the Co-operative Union (established in 1870 and by then the chief democratic federation of UK cooperatives) acting as a “referee in legal matters, as an educational and propagandist body, and last but not least, as a political power,” and the Co-operative News, an independent cooperative publication founded in 1871 with a circulation of 37,000. The cooperative store had become the center of cooperative life in Scotland and northern England, a “training school for citizenship in its highest sense” where the “position of president or committee-member of the co-operative society is more prized than that of mayor or alderman in a wealthy city (Webb, 1904, 189).”

However tensions among the various classes of members intensified as the movement grew, prompting debates over the relative importance of workers and consumers in the movement -- as well as the relationship of the movement to trade unions and the state. Organizational and ideological divisions eventually led to worker cooperatives splitting from the Union to form their own federation in 1882. Webb
describes the chief cleavage as that between “political individualists,” or those who advocated for worker cooperatives, and “political socialists,” those who advocated for consumer cooperatives. She viewed worker cooperatives as little better than joint stock companies, both being closed societies controlled by a small group (whether workers or shareholders) and both greedily guarding information and seeking profit for themselves at the expense of the larger consumer population. Checked only by the competition of other traders, these profit-seeking firms tended toward either monopoly or a war of competition, Webb argued. Consumer cooperatives, on the other hand, being open and transparent to all, realized the socialist ideal of eliminating “profit on price” and “extending democratic representation to all in the preparation and distribution of commodities for individual use (Webb, 1904, 190-91).”

The challenge the cooperative movement faced was finding a way to improve conditions for both consumers and workers. Webb admits that “while it has been easy for Co-operators to extinguish the profit of the middleman, it has been impossible for the Co-operative employer struggling in the midst of a competitive system to raise wages of the manual workers to the level of effective citizenship (Webb, 1904, 215)”. To accomplish this, consumer cooperatives needed the constant and “sometimes unwelcomed” assistance of the trade unions (Webb observes that trade unions and consumer cooperatives thrive alongside one another, while the relationship between trade unions and worker cooperatives had been decidedly less amiable). The success of the cooperative movement then depended on the “intermarriage” of the cooperative and trade union movements, so that the “people organized as consumers and the workers organized as professionals might rapidly become an irresistible twin power (Webb, 1904, 201)”
Webb believed that the cooperative movement would eventually have to choose between the worker and consumer cooperative models -- the “self-governing and profit-sharing establishment on the one hand, or the open democracy of the Store on the other.” Doing so would require the movement to formulate a “concise definition of what constitutes a Co-operative society,” a “distinctive test whereby a Co-operative society might be distinguished from a joint-stock company or private firm (Webb, 1904, 183).” For Webb, the relative success and large membership of consumer cooperatives spoke for themselves.

Other tensions bedeviled the cooperative movement, chief among them pervasive gender inequality. Despite featuring open membership and equal voting rights for women, the cooperative movement was dominated by men from the beginning, most notably on management and Co-operative Union committees. In 1883, the Women’s Co-operative Guild was founded by Alice Acland, an editor for the Co-operative News, with a dual mission of promoting both the cooperative movement and the condition of women in general. While women remained relegated to education committees and had little formal power, they nevertheless took leading roles from the 1880s to 1920s in agitating for a variety of reforms both within and outside the cooperative movement.

Within the movement, the Guild promoted the welfare of workers at cooperative stores, who typically fared no better than workers at conventional firms -- a fact many saw as a violation of cooperative principles. The Guild was also instrumental in advocating for broader progressive causes, such as helping to secure the inclusion of maternity benefits in the 1911 National Insurance Act, and later amending the Act to require payment to mothers instead of their husbands. Under the leadership of Margaret
Llewelyn Davies from 1899 to 1921, the Guild became an important political force, reaching 72,000 members at its peak in the early 1930s (Blaszak, 1986, 76-86).

Yet women’s roles in the cooperative movement ultimately differed little from those of women outside the movement. As consumers, educators, caretakers, and “moral voices,” women constituted the backbone of cooperation, yet were categorically excluded from formal avenues of influence and power. The movement did however open up key spaces for women to meet, organize, and apply cooperative principles to women’s and other progressive struggles. Webb acknowledged the uncertain relationship of the cooperative movement to women’s empowerment, noting that the cooperative could variously be viewed as a “harmless safety-valve for women’s surplus energy,” as a “unique technical training for the housekeepers or the nation,” or as “an admirable school for the future citizen (Webb, 1904, 193).” Webb affirmed that, whichever had so far been the case:

“In one conclusion we may rest assured: that if the democratic form of Co-operation is to be a great fact as well as a great example, if it is to become a dominant form of industrial organization, then a vigorous and successful propaganda among female customers must stand foremost in the present and future programme of Co-operative leaders, and the women of England must take their place as energetic, loyal, and experienced members in all associations of consumers (Webb, 1904, 193).”

**The Spread of Cooperatives**

From the mid 1800s the cooperative model spread internationally, chiefly to the United States and the British colonies, but also throughout continental Europe. In 1867, Oliver Hudson Kelley, a US Department of Agriculture employee, founded the Order of the Patrons of Husbandry -- commonly known as the Grange. In less than a decade, it boasted 858,000 members in 32 states. In 1875, the Grange adopted the Rochdale
Principles at its annual convention, and by the early 1900s most states had passed cooperative laws based on the Principles. In the US as in the UK, cooperative organizations maintained close ties to the labor movement and to progressive politics: the Farmers Alliance grew out of protests against monopolies, and the American Society of Equity supported the progressive politics of Robert M. La Follette. Europe meanwhile saw innovations in cooperative credit in Germany and agriculture in Denmark (Zeuli and Cropp, 1980, 16).

Cooperatives took a very different form in the British colonies, where they were promoted by the colonial state for development purposes. The “Classical British-Indian Pattern of Cooperation” was characterized by the institutionalization of prefabricated cooperative law by technocrats with little regard for local conditions, and the growth of large cooperative state bureaucracies rather than representative cooperative federations (Münkner, 2004).

In the case of India, the Registrar, a state agency with little expertise or democratic accountability, assumed full control over approving cooperative registration and bylaws. Registrars were routinely appointed for political reasons and given the task of using cooperatives as instruments for the implementation of political programs or as tools for carrying out development schemes devised without local input. As the cooperative sector grew in importance, the state increasingly inserted itself in management decisions, audits were performed by the state instead of by independent or federation bodies, and government financing of cooperatives ensured further indirect state control. Hans-H Münkner argues that, through its widespread application to British
colonies in South Asia and Africa, this model became one of the first international laws (Münkner, 2004, 6).

One recent study illustrates how cooperatives were used as a mechanism for the discipline and control of peasants of rural Bangladesh by the state and transnational actors (Bhuiyan, Faraizi, and McAllister, 2005). Its authors argue that the practice of development produces a system of dependency and control, exercised through knowledge -- annual development plans, yearly budgets, structured macro-economic policies in liaison with Western policy-making bodies such as the World Bank, International Monetary Fund, and United Nations -- and a trend toward more isolation from indigenous culture and norms. In many cases, social and economic inequalities actually increase as informational hierarchies are put into place. Moreover, environmental conditions often worsen and workers’ health is endangered by the introduction of development techniques in agriculture that rely on pesticides, herbicides, and chemical fertilizers.

A growing recognition of the failures of developmentalist cooperative models has led to a critical revaluation of the promotion of cooperatives in poor and postcolonial countries. However, the legacy of cooperative developmentalism and its association with clientelistic bureaucracy remains deeply embedded institutionally and in the minds of workers throughout Africa and Asia (Münkner, 2004).

**Cooperatives and Electoral Politics**

The cooperative movement’s first electoral arm was the Joint Parliamentary Committee, founded in 1881 by the Co-operative Union to monitor and lobby legislators. Motions were passed at the Union Congresses urging direct parliamentary representation,
however societies were divided on whether the movement should become involved in politics, and funding was scarce. This changed during the First World War, when cooperatives were disadvantaged compared to conventional businesses, including under-representation on government distribution committees and draft tribunals, and were forced to pay excess profits tax. In response, the Co-operative Party was established in 1917, and after initially putting forth its own candidates in 1927, formed an electoral pact with the Labour Party that persists to this day (Stuckey, 2008).

Initially, the party was almost exclusively concerned with the trading and commercial problems of the cooperative movement, but has since progressively widened its program. The fortunes of the Co-operative Party have waxed and waned with those of the Labour Party. Since the 1940s, the party has typically held from one to two dozen seats in parliament (out of well over 600), having its strongest showing in the 2017 election with 38 seats. All members of the party must be members of a cooperative enterprise, as well as members of the Labour Party. The majority of the Party’s income comes from grants made by the retail cooperative societies and from fees received for managing the political affairs of Co-operatives UK (formerly the Co-operative Union) (Stuckey, 2008).

In the pre-WWII period, the Co-operative Party and Labour Party shared a consensus vision of the first steps to a cooperative and socialist commonwealth, comprised of a mix of cooperative, municipal, and state ownership. The Labour government’s initial nationalization program following the war had no direct effect on cooperative business, as it targeted universal services and goods. However, when in 1949 the Labour Party began to advocate for the extension of the state into areas, such as
industrial assurance, which were seen by the cooperative movement to be within its purview, the Co-operative Party went on the offensive and successfully pushed Labour to call for the mutualization instead of the nationalization of industrial assurance (Stuckey, 2008).

The Labour Party’s 1950 manifesto included for the first time a more than cursory reference to the cooperative movement, promoting mutuals as an alternative form of common ownership, and praising the “great Co-operative Movement” and its “steadying effects on retail prices” as a “fine example of democratic co-operation to meet the needs of the people (British Labour Party Manifesto, 1950).” However, the next year, Labour lost power, and with it, interest in cooperatives.

Angela Whitecross argues that the ineffectiveness of the Co-operative Party during this period stemmed from both structural and ideological constraints. Structurally, the party was subordinate to and marginalized by both the Co-operative Union and the Labour Party, and was limited to contesting no more than 30 seats by agreement with the Party. And because the Union took little interest in political policy beyond its immediate trade remit, during Labour policy debates the Co-operative Party had little to offer in terms of a broader policy of cooperative ownership as an alternative to state socialism (Whitecross, 2015).

UK consumer cooperatives reached a peak market share of 11 percent in the late 1950s, before declining to a stable four percent since. The late 1960s and early 70s, however, saw a resurgence of interest in cooperatives and worker ownership and control in the UK and globally. The Institute for Workers’ Control, founded in 1968, brought together shop stewarts and activists, and the Labor Party’s 1974 manifesto called for a
“radical extension of industrial democracy in both the private and public sectors,” involving “major changes in company law (The Labour Party Manifesto, 1974).”

As Secretary of State for Industry in the 1974 Labour government, Tony Benn helped facilitate an attempt to establish worker-controlled cooperatives at three major British firms that were failing. However, despite support with government subsidies, all three succumbed to the competition. Conservatives at the time held up those failures as proof that cooperatives were not a viable business model, while Labour advocates criticized Benn for wasting political capital to try to save firms that were already doomed, and for damaging the cooperative case for decades (Kirkup, 2010). Yet despite this setback, it was during this period that the passage of the Industrial Common Ownership Act 1976 gave £100,000 of seed funding to the Industrial Common Ownership Movement (ICOM) of worker cooperatives and £50,000 to the Scottish Co-operative Development Committee, helping to promote the creation of 2,000 worker cooperatives5.

2.2 Cooperatives Today

The British cooperative movement has long sought to counter state-driven cooperative developmentalism with cooperative internationalism, beginning with the founding of the International Co-operative Alliance (ICA) in 1895. Now the apex organization for the global cooperative movement, the ICA represented 284 cooperative federations across 95 countries in 2015, playing an important role in shaping the cooperative identity, advising governments and federations on cooperative law, and promoting the cooperative form.

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5 In addition, the Act established a £250,000 rotating loan fund managed by Industrial Common Ownership Finance Ltd (now known as Co-operative and Community Finance), which today has over £4m of capital to lend to cooperative and social enterprises.
The ICA first undertook a review of the original Rochdale Principles in 1937, updating and winnowing them to produce the first set of ICA cooperative principles. They were: 1) open membership, 2) democratic control (one man, one vote), 3) distribution of the surplus to members in proportion to their transactions, and 4) limited interest on capital. Although they were determined to have been central to the Rochdale System, a further three principles were not strictly required for ICA membership: 5) political and religious neutrality, 6) cash trading, and 7) promotion of education (ICA, 1964).

**Illustration 1:** Alliance Member Countries (https://www.ica.coop)

In 1966, the ICA undertook a second review, doing away with the division between essential and non-essential principles, removing the cash trading and political and religious neutrality principles, and adding the “cooperation between cooperatives” principle (ICA, 1966). Calls to again update and to clarify the principles increased from
the 1980s, when many in the movement feared that the distinctiveness of cooperatives was being lost as more cooperatives began identifying themselves as being comparable to investor-owned businesses in their industries (another major concern was that the public saw cooperatives primarily as mechanisms for tax-reduction (Reynolds, 2014)). The most recent revision of the principles, at the 1995 Vienna Congress, included the addition of the “concern for community” principle -- in order to highlight and reinforce cooperatives’ connections and responsibilities to their wider communities -- as well as a new statement of values. To provide better guidance, the principles were elaborated on, as well (see Box 2).

[Box 2] ICA Co-operative Identity, Values, and Principles

Definition:
A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.

Statement of Values:
“Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.”

Statement of Principles:
1. Voluntary and open membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic member control: Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member economic participation: Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common
property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. **Autonomy and independence**: Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. **Education, training, and information**: Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. **Co-operation among co-operatives**: Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. **Concern for community**: Co-operatives work for the sustainable development of their communities through policies approved by their members.

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**Cooperation Among Cooperatives**

Lynn M. Harter and Kathleen J. Krone argue that one way for cooperatives to manage external influence while protecting their central principles and practices is through the creation or inclusion of cooperative support organizations. Their case study of the Nebraska Cooperative Council, which serves one hundred worker cooperatives, illustrates the role of support organizations in consolidating resources and providing a network linking cooperatives together and providing a locus of innovation, continuing education, political and legal resources, serving as a political voice and watchdog, and lending the cooperatives greater legitimacy. The Council was viewed as a stabilizing force in the midst of great uncertainty for members, as well as an example of alternative organizational ideologies and structures (Harter and Krone, 2001).
One ILO analysis of workers taking over failed businesses in Argentina found that despite lack of funding and appropriate legal designation, many cooperatives were successful due to the presence of cooperative support networks and the dissemination of cooperative education (Howarth, 2007). Carla Dickstein’s research confirms that cooperative development agencies have played a critical role in education and in reinforcing self-management processes, and are critical for countering outside market and cultural forces that can undermine cooperative principles. These agencies can vary substantially however in outside funding, the shared interests of the parties involved, and the leadership, background, and ideological orientation of the staff who influence their priorities (Dickstein, 1988).

Co-operatives UK is the UK’s largest and principal secondary cooperative (a cooperative comprised of cooperative businesses as members) with over 700 members, formed in a 2001 merger between the consumer cooperative movement and the ICOM, after over 100 years of separation. Membership is divided into several categories reflecting the diversity of cooperative organizations: cooperative enterprises (consumer cooperatives, worker cooperatives, enterprise-owned cooperatives [such as agricultural and secondary cooperatives], and mixed ownership cooperatives) mutuals, cooperative development bodies, federations, and associates.

Retail societies dominate Co-operative UK’s funding, voting, and the board of directors. Members’ annual subscription rate depends on the trading relationship between the members and the Society and the size of the member’s business, and each member has one vote at general meetings by virtue of their membership, with additional votes allocated by the Board in proportion to the levels of subscription made (with no one
member allowed a vote equivalent to more than 40% of the total vote). The board of directors has 19 members: nine seats for the large consumer cooperatives (Co-operative Group, Midlands Co-operative Society and Midcounties Co-operative), five seats for elected representatives from smaller consumer cooperatives (for each of the four geographical regions of Scotland, the North, the Midlands and the South), two seats for elected representatives from worker cooperatives, one seat for the Co-operative Development Bodies, one seat for federations, and one seat for remaining members.

The federation provides a network for cooperatives through conferences and workshops, promotes cooperatives through lobbying and public campaigns, provides governance and legal advice and funding for new cooperatives, publishes a code of best governance practice and standards, acts as a mediator or arbitrator in the resolution of disputes between its members, and represents its membership at the national level and with the European and international cooperative movements.

Cooperative Law in the UK

In the UK, there was no legal requirement for societies to operate in accordance with cooperative principles (as a “bona fide” cooperative) until the passage of the Prevention of Fraud (Investments) Act of 1939. The Act aimed to prevent the formation of fraudulent societies that were taking advantage of a loophole that exempted them from the obligation to provide detailed information on issuing shares. Thus this important institutionalization of the cooperative principles was less an affirmation of the cooperative identity than a response to the abuse of the form.
With the passage of the Industrial and Provident Societies Act of 1965, cooperative law came to look much like it does today, but it wasn’t until very recently, under the Co-operative and Community Benefit Societies Act 2014, that cooperatives attained a distinct legal identity. Previous to the Act, cooperative societies and community benefit societies shared the Industrial and Provident Societies form.

Cooperatives are defined in the Act not by what they are, but what they are not: they are not “a society that carries on, or intends to carry on, business with the object of making profits mainly for the payment of interest, dividends, or bonuses on money invested or deposited with, or lent to, the society or any other person (Co-operative and Community Benefit Societies Act of 2014)\(^6\).”

UK law nevertheless allows cooperatives to use any available legal form, and while most use the Co-operative Society form, some use the Limited Liability Partnership or Company form (in which case using the word ‘co-operative’ requires permission of the Secretary of State for Business Innovation and Skills.) Unlike other businesses in the UK that register with Companies House, cooperatives register with the Financial Conduct Authority (FCA, previously the Financial Services Authority). A reduced registration fee is offered to societies that use model rules provided by approved sponsoring bodies -- usually cooperative federations such as Co-operatives UK -- that are tailored to the cooperative type (for example consumer, worker, housing, agricultural, etc.) of the applicant.

\(^6\) Community benefit societies, on the other hand, trade to benefit the broader community, and must satisfy that requirement by prohibiting any distribution of assets or profits to members, and generally by demonstrating charitable or more widely philanthropic aims so as to offer a “community benefit.”
In a common law system like the UK’s, any gaps in legislation are filled by common law rules, which are often developed for companies by the courts as a result of litigation. Ian Snaith, an expert on UK cooperative law, notes that often societies are neglected when new legislation governing companies is passed, meaning that they remain subject to different and outdated rules. Cooperatives are not able to appeal to the courts in cases of a refusal by the FCA to register a society, or a decision to cancel its registration on the ground that the society is not a bona fide cooperative. The legal definition of the cooperative form has therefore been developed and applied by the FCA (and prior to 2001 by the Registrar of Friendly Societies) rather than the courts or Parliament (Snaith, 2014).

Given that British law says little about what a cooperative actually is (rather than what it is not), the FCA has turned to the ICA and the International Labor Organization (ILO), which define a bona fide cooperative society as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” In the absence of legislation or common law elaborating on this definition, the FCA can only offer general guidance, such as that it “considers it an indicator that the condition for registration is met where the society puts the principles of the ICA Statement of Cooperative Identity and Values (see box 1) in practice (FCA, 2015)”.

The FCA states that it generally expects to be able to verify and validate whether principles 1 - 4 have been met through the rules and governance arrangements of a cooperative society, but does not necessarily expect to be able to verify or validate

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7 Examples of this can be found in respect to directors’ duties and capital maintenance and in the field of corporate insolvency (see the 2009 case of the Dairy Farmers of Britain in Snaith, 2014, 277.)
principles 5 - 7 (although evidence of compliance with those principles are treated as a positive indicator.) The guidance notes that in applying these criteria, the agency will take into account the diverse nature of cooperative enterprise, considering that the relationship between members (as co-owners and users of the cooperative) and their cooperative is different in a consumer cooperative than in a worker or a producer cooperative.

Likewise, the relationship between members and their society may differ between primary cooperatives (where members are individuals), secondary cooperatives (where members are primary cooperatives), and tertiary cooperatives (where members are secondary cooperatives). Moreover, a cooperative made up of a single group of stakeholders will have different relationships than a cooperative with multiple stakeholder groups as members (FCA, 2015). Some of the conditions that need to be satisfied for a firm to be considered a bona fide cooperative are listed in Box 3:


**Community of Interest:** There should be a common economic, social or cultural need and/or interest amongst all members of the cooperative.

**Conduct of Business:** The business will be run for the mutual benefit of the members, so that the benefit members obtain will stem principally from their participation in the business. Participation may vary according to the nature of the business and may consist of: buying from or selling to the society; using the services or amenities provided by it; or supplying services to carry out its business.

**Control:** Control of a society lies with all members. It is exercised by them equally and should not be based, for example, on the amount of money each member has put into the society. In general, the principle of “one member, one vote” should apply. Officers of the society should generally be elected by the members who may also vote to remove them from office.

**Interest on Share and Loan Capital:** Where part of the business capital is the common
property of the cooperative, members should receive only limited compensation (if any) on any share or loan capital which they subscribe. Interest on share and loan capital must not be more than a rate necessary to obtain and retain enough capital to run the business. Profits: If the rules of the society allow profits to be distributed, they must be distributed amongst the members in line with those rules. Each member should receive an amount that reflects the extent to which they have traded with the society or taken part in its business.

Restriction on Membership: There should normally be open membership. This should not be restricted artificially to increase the value of the rights and interests of current members, but there may be grounds for restricting membership in certain circumstances, which do not offend cooperative principles. For example, the membership of a club might be limited by the size of its premises or the membership of a self-build housing society by the number of houses that could be built on a particular site (FCA l Mutuals Registration of a co-operative or community benefit society (N) l Release 3 l April 2017).

Legislation requires that societies’ rules specify whether shares are withdrawable or not, and whether they are transferable or not. For the FCA, society shares are characterized by unique features that differentiate them from conventional shares and indicate that the shares exist for the purpose of promoting member ownership and not profit-making. A market in society shares allowing capital gains for members would normally be considered inconsistent with registration as a society. Society rules are required by the Act to make every share transfer other than on the death or bankruptcy of a member, subject to board consent as well as registration. Societies may pay interest on shares, however the FCA stipulates that share interest should not be used as a means of

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8 Features of society shares include 1) their number can fluctuate significantly, 2) they remain at par value (unless written down), 3) they do not automatically give the shareholder a share in the underlying value of the society, 4) they cannot be held by the issuing society itself, and 5) they do not carry votes in proportion to the amount of shares held. It is an indicator that a society is meeting its condition for registration if it only allows the withdrawal of shares if: 1) it has trading surpluses that match or exceed the value of shares involved, and 2) the directors believe the society can afford to pay its debts, and if 1) the society’s board has power to suspend withdrawals of share capital, 2) the society’s directors monitor withdrawals and, if the society’s financial position becomes uncertain, can suspend members’ ability to withdraw shares and, 3) the directors have agreed whether there should be an annual limit on how many shares can be withdrawn, or a limit to the amount of profits which can be distributed.
profit or surplus distribution or as a substitute for dividends. Ultimately, the society cannot exist mainly to pay interest on money invested⁹.

The FCA recognizes that a cooperative society may sometimes need to raise capital from people who cannot or do not use the society’s services (i.e. ‘non-user investor members’ – people who have only an investment relationship with the society), but warns that doing so brings risks to its ability to comply with the conditions for registration. The society’s rules must prevent this category of shareholders voting on a motion to convert the cooperative to a company. Societies can include a power to elect one or more non-user investor share representatives to the board, however ultimate control of the society must remain with members other than non-user investor members at all times. Non-user investor members cannot together have voting rights that when combined would result in user-members losing control of the society (FCA, 2015).

Precisely what constitutes maintaining or losing control is, however, not specified.

Snaith describes the UK cooperative law regime as among the most flexible. The process of registration is relatively quick and simple, especially when the society utilizes model rules. After the FCA reviews the society’s rules and determines that it is indeed a bona fide cooperative, the society becomes a corporate body like any other and is recognized as a person in law that is able to hold property, sue and be sued, and whose

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⁹ Several factors can be indicators of whether a society is likely to be complying with the conditions for registration: 1) societies are primarily inviting people to become members of the society, along with any accompanying request for capital (additional to the minimum required for membership) from the prospective member, 2) the maximum rate of interest paid on shares is declared in advance of the period for which it is intended to be paid, whether in its rules or elsewhere, 3) the declared maximum rate of interest is the lowest rate sufficient to obtain the necessary funds from members who are committed to furthering the society’s objects, 4) in the event the society cannot afford to pay the declared maximum rate of interest, interest payments are reduced, or no interest is paid at all, without compensation in subsequent years, 5) societies can justify a decision to pay interest at a particular rate, and be able to demonstrate the basis for that decision.
members enjoy limited liability for its business debts (Snaith, 2013). The cooperative has perpetual succession despite changes in the identity of its individual members. Membership policies, such as the conditions to be satisfied to become a member, the termination of membership by expulsion, the rights and duties of members, and dispute resolution between members or between a member and the society, are laid out in the society’s rules (for example by requiring a probationary period before becoming a full member, or providing for third-party arbitration that will be legally binding on the society and its members (Snaith, 2013).

In the UK, the cooperative movement’s legal efforts have centered on ensuring that cooperatives can operate without being disadvantaged. An example of a potential conflict is prohibitions on joint action between businesses in competition law. As the Cooperative Law and Regulation Initiative notes, “many competition laws prohibit concerted conduct by independent business[people], such as agreeing on prices, terms of sale, and to whom to sell. Such conduct is commonly undertaken by farmers and others that operate cooperative marketing associations, thus necessitating a legislative or interpretive exemption from competition laws (USAID, 2006).” Another concern is that cooperative members may be subject to double taxation if the law does not distinguish between surplus distributed in proportion to a member’s patronage of a cooperative, and income derived from non-member transactions.

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10 Limited liability was first granted to joint-stock companies by the Companies Act 1862 and extended to cooperatives in the Industrial and Provident Societies Act 1893. The doctrine of corporate personality was upheld in 1897 by the House of Lords in Salomon v A Saloman & Co. Ltd. In Europe, the doctrine has not been extended to the degree it has in the US, however (see, Kaeb, 2015).
11 In the absence of any provision in the rules or in a case of a failure to decide the dispute within 40 days of referral, the dispute can be decided by a magistrates’ or county court.
Cooperative Law Internationally

Globally, cooperative law has taken a variety of forms: in Germany, Brazil, Côte d'Ivoire, Thailand, and Mexico, a single law is applicable and valid for all cooperatives. In Ethiopia, Japan, and France, specific laws for a given type or sector of cooperatives regulate the operation of cooperatives separately. In Switzerland and Belgium, cooperatives are regulated by specific chapters of more general codes like the Civil Code or the Commercial Code. In the UK, cooperatives are regulated by special provisions governing the application of a more general law to cooperatives. In at least a dozen countries cooperatives are recognized in the constitution. And some countries, such as Denmark and Norway, have no cooperative law at all, even while their cooperative sectors are relatively large (Tchami, 2007, 93).

Cooperatives scholars Hans-H Münkner and Antonio Fici both note that while countries with law developed specifically for cooperatives typically have relatively strong cooperative sectors, countries like Ireland and Denmark, without special cooperative legislation, nevertheless have developed strong cooperative movements with an active, well-informed membership (Muenkner, 1995, and Fici, 2012). These movements have been able to use provisions of general law to design the appropriate legal framework to achieve their objectives.

Yet Fici elsewhere argues that the development of a distinct cooperative law is essential for cooperatives’ success, because such law can help to preserve the cooperative identity and to reinforce the special characteristics of cooperatives -- namely their mutual purpose, democratic governance, and solidarity -- that benefit members and society as a whole.

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12 Including Bangladesh, Brazil, Columbia, Guyana, Italy, Mexico, Namibia, Portugal, Spain, Thailand and Turkey (Henrÿ, 2012).
whole (Fici, 2014). Criticizing a recent Italian law for attempting to address the undercapitalization of Italian cooperatives with solutions designed for conventional firms, Fici contends that “the straightforward transplant of rules and solutions conceived for non-cooperative companies can only result in a loss of identity of the co-operative form (Fici, 2010).” Fici additionally argues for standardizing cooperative law across national jurisdictions, while at the same time diversifying it to meet the needs of different kinds of cooperatives (Fici, 2012).

Hagen Henrý divides the evolution of cooperative legislation into two partly overlapping phases: the first, beginning in the mid-19th century, marked by distinguishing cooperatives from joint-stock companies, and the second, from the 1970s, by approximating them with joint-stock companies. He further identifies three major trends in cooperative law: unifying special laws applying to different types of cooperatives at national levels, unifying and harmonizing cooperative laws across national borders, and aligning cooperative law with stock company law, especially as far as the highly intertwined matters of capital structure, management and control mechanisms are concerned (Henrý, 2012):

“The alignment of cooperative law with stock company law... helps cooperatives to become more competitive in the narrow econometric, financial sense of the term, i.e. to grow economically, to increase their capital through mergers, to lower their costs, to create economies of scale, to increase their reserves and to increase their profit, at times also their surplus. However, by impacting on, at times by changing the cooperative specific capital structure, management and/or control mechanisms, the differentiation between cooperatives and stock companies fades (Henrý, 2012, 13).”

For Henry Hansmann, law tailored to the needs of a capitalist economy has been a significant disadvantage for cooperatives; indeed “…governmental regulation often plays
an important role in permitting investor-owned firms to flourish where cooperatives or nonprofits would otherwise be dominant.” One example of this is antitrust law enforcement: in the US, grain marketing cooperatives formed in the late 19th century when enforcement was lax, while in Sweden tolerance of producer cartels helped foster widespread consumer ownership (Hansmann, 2009, 294).

**Cooperative Governance**

In her overview of governance issues for cooperatives, Linda Shaw notes that although cooperative traditions and definitions vary greatly -- the term ‘cooperative’ being used by a diverse range of organizations with no standard institutional and legal model -- a growing consensus has nevertheless emerged around the 1995 definition of the ICA, the UN guidelines, and the ILO Recommendation 193. As the ICA Principles increasingly serve as a basis for legislation, good practice, and performance indicators, the crucial question for Shaw is whether a set of principles could be used to separate real from false cooperatives (Shaw, 2006).

In recent years, the British cooperative movement has been rocked by several high-profile governance failures at major cooperatives, including at one of the largest insurance mutuals, and at the Co-operative Bank, which was forced to demutualize and sell off assets after gross mismanagement. A Co-operatives UK report on the governance of large cooperatives notes that in both the demutualization of US savings and loan societies in the 1980s and of UK building societies in the 1990s, “there had been a tradition of self-perpetuating boards and low member participation, so that many of their customer-members did not know they had ownership rights over the business (Birchall,
Moreover, in both cases, “the opportunity to demutualise came about through government deregulation and was driven partly by the opportunity for personal enrichment that the conversion offered to directors and managers (Birchall, 12).”

A complex and non-transparent governance structure is said to have played a key role in the troubles that have befallen the UK’s Co-operative Group. According to the report, compared to producer cooperatives, “consumer co-operatives have been much more prone to governance failure. Because they tend to have many members whose relationship with the co-operative is slight, they are more easily captured by special interest groups or by ambitious managers, sometimes without the members even noticing (Birchall, 2014, 11).”

The report however concludes that cooperatives do not seem to have a “governance problem,” or natural disorder and inefficiency, as some economists assume, even if they do struggle balancing member voice and representation with expertise and effective management. These issues, it is argued, may be be different than those at conventional firms, however they are not more serious (commissioned by Co-operatives UK, we might expect the conclusions of the report to be optimistic, and its recommendations -- the adoption of codes of good governance -- mild.)

An independent study also found a low level of member participation at many consumer cooperatives and mutuals, the author observing that managers at these firms exercised even more power than those at similar conventional firms who have shareholders to answer to (Spear, 2004). Critically, participation in general meetings decreased with increase in the size of the cooperative. The author concludes that cooperative organizations like Co-operatives UK can play an important self-regulatory
role by providing best practices guidelines, however large cooperative size and disinterested membership remained a major problem.

Indeed, a number of studies looking at groups size and dynamics in the fields of anthropology, evolutionary psychology, and sociology have put the maximum number of individuals with whom a person can maintain stable social relationships at between 100 and 230 (Dunbar, 1992; Hernando et al., 2010), although groups can “break through the glass ceiling” that otherwise limit the size of social groups with more sophisticated kinds of information processing (David-Barrett and Dunbar, 2013).

Whether a diverse membership is an asset or a disadvantage remains an open question. One team of researchers notes that demography research has produced enough mixed evidence to support two diametrically opposed positions: the value in diversity hypothesis, and the conclusion that increased diversity typically has negative effects on the ability of the group to meet its members' needs and to function effectively over time (Chatman and Flynn, 2001, 972). One common feature of both positions “is a paucity of research specifying how and when demographic differences lead to positive versus negative outcomes,” and therefore “to understand groups in organizational settings, more insight may be derived by focusing on the intervening processes, specifically, on how cooperative norms are constructed and the factors leading groups' members to focus on their shared fate (Chatman and Flynn, 2001, 972).” A study of agricultural cooperatives composed of groups with different interests (such as rice and soybean producers) found that “member participation at the general assembly increases with higher levels of heterogeneity until heterogeneity reaches a certain level where the cooperative lacks a
dominant group.” The study found that some indicators of heterogeneity mattered more than others (Pozzobon and Zylbersztajn, 2011).

Research on cooperatives and other types of firms indicates that worker participation is paramount for worker satisfaction and economic success. A study of Malaysian cooperatives found that members’ participation was the most significant variable for the success of the cooperatives studied, especially in the long-term (Ahmad Khan et al., 2012). A large survey of workers in public, for-profit, and nonprofit organizations in Italy found that, contrary to the hypotheses of many labor studies, worker satisfaction and loyalty to their organization is not primarily dependent on wages but on the involvement of workers in the operation of the organization (Borzaga and Tortia, 2006). The researchers found that nonprofits obtained the highest degree of worker satisfaction likely because they were best able to involve their workforce. Public institutions, like for-profit firms, fared poorly, suggesting that control is relevant across organizational types.

Many cooperatives however struggle to cultivate a participatory culture. For example, while a study of cocoa cooperatives in Papua New Guinea found that cooperatives were important in fostering social and economic development -- helping reduce problems associated with land tenure insecurity, small land holdings, lack of access to capital, and poor rural infrastructure -- the most common problems they faced were lack of member participation, poor control over organizational management, lack of operational management skills, a lack of understanding about cooperative policies and principles, and poor cooperative awareness and promotion by the governmental offices (Garnevskaa, Josepha, and Kingib, 2014).
Joyce Rothschild notes that organizations with the most fluid and participatory division of labor, and those groups that were best networked with other consensus-based groups, have been found to be the most efficient in their decision-making (see, Leach, 2015). She suggests that “a fluid division of labor, or the absence of a rigid division of labor, by freeing people from specific roles much less the subordinate roles that they may have had in a bureaucracy, empower people to speak in decision meetings and place on them the responsibility for listening carefully and weighing what other members have to say (Rothschild, 2016).”

Rothschild contrasts what she calls “collectivist-democratic” organizations like cooperatives with what Max Weber theorized to be the basis of modernity, the “legal-rational” system, fixated on procedures rather than outcomes and “equality before the law” rather than actual equality. Going beyond the formal, legalistic criteria of representative democracy, collectivist-democratic organizations set a higher standard for themselves in decision-making practices. This includes opposition to hierarchy, exclusivity of expertise, and impersonal, instrumental relationships; the inclusion in decision-making of all affected parties; full transparency; collectively-owned property; and consensus building (Rothschild, 2016).

Some organizational scholars caution against the adoption of too fluid a division of labor and too flat an organizational structure. Echoing Jo Freeman’s “tyranny of structurelessness” thesis, that informal structures inevitably form and elites take control of groups that attempt to operate without structure and leaders (based on Freeman’s observations of anarchist women’s liberation collectives of the 1960s (Freeman, 1972)), Susanne Baker notes that “…in a non-hierarchical organisation, when value determined
by position is taken away, other hierarchies emerge which introduce new power
dynamics and can undermine the equality afforded by this context (Baker, 2015).” These
informal hierarchies are all the more dangerous because as their existence is not formally
recognized, they are harder to identify and challenge.

However, in her observation of cooperatives and many other kinds of groups that
operate largely as collectivist-democratic organizations -- from volunteer-based
organizations and social movements to collectives and self-help groups -- Rothschild
argues that, rather than being characterized by Freeman’s “much-decried”
structurelessness, these organizations in fact devote intense efforts “to the precise
question of how they can best structure their organizations to maximize creativity, while
avoiding hierarchies and inequalities (Rothschild, 2016, 11).”

**Cooperative Governance in the UK**

Cooperative societies have considerable leeway to decide their own governance
structure in their rules. However, the law requires that certain decisions be made or
functions be carried out either by the members in the general meeting or by the board of
directors/committee. Thus dissolution of the society, transfers of its engagements to
another society or a company, the amalgamation of two societies and the conversion of a
society into a company all require decisions by the members in a general meeting with
particular majorities and following specified procedures (Snaith, 2013, 748).

Snaith notes that the ICA democratic control principle would normally require
that the society’s rules provide for some form of democratic election of the committee or
board by the members and a similar process for their removal, and that although the law
does not explicitly require that decisions to amend the rules of the society be made by the members in the general meeting or require any particular majority, a provision giving that function to the board or committee would probably be rejected by the FCA for failure to conform to the principle of democratic control of the society by members. This would apply to other society rules likely to inhibit democratic member control, such as the number of unelected directors and non-member directors (Snaith, 2013, 748).

Snaith describes how the flexibility of the UK system allows for the use of a wide range of governance arrangements according to the needs of individual cooperatives. In a cooperative with a small membership, such as many worker cooperatives, the founders may choose to design a completely collective structure with all members as directors, while a system of indirect democracy may be used in complex cooperatives with a large membership, such as many consumer and agricultural cooperatives (he gives the example of the Co-operative Group, the UK’s largest consumer cooperative with over 4 million active members, where members elect area committee members, who then elect regional boards as well as the membership of the central board of the cooperative society from their region (Snaith, 2013, 35).)

Unlike in many other countries, in the UK there is no mandatory procedure involving the wider cooperative movement or any audit of the cooperative nature of societies apart from the assessment by the FCA, mainly on the basis of the society’s rules, of whether the society is and remains a bona fide cooperative (Snaith, 2013, 35). There is also no obligation in UK law for cooperatives to follow the principle of “cooperation among cooperatives.” However, for corporation tax purposes, both subscriptions to Cooperatives UK and payments to education funds are deductible (this is
not true of payments to political funds, such as to the Co-operative Party) (Snaith, 2013, 755).

A number of procedures for the conversion of a cooperative society are provided in law. It is possible for a society to transfer its engagements to or amalgamate with another society or company or to convert into a company; a company can convert into a society as well. In the case of transformation into or transfer of engagements to a company rather than another society, a higher majority is required in a two-stage voting process. The legislation does not impose rules about the destination of assets or surplus in any case (Snaith, 2013, 752).

The “asset lock” system -- a legal clause that prevents the assets of a company being used for private gain rather than the stated purposes of the organization -- applies only to community benefit societies and not to cooperative societies; cooperatives can however add the clause to their rules. Snaith notes that the legislation provides few detailed obligations about the information to be provided to members when they vote on reorganization, which is left up to the rules to stipulate. “The members of a cooperative are, as far as the legislation is concerned, free to choose to demutualize or otherwise reorganize their society providing the correct procedure is used and the resolution is passed by the majority required by the legislation (Snaith, 2013, 753)”.

Snaith argues that the fact that the criteria for the registration of a society as a cooperative are applied by administrative decision (with no resort to the courts in most cases, preventing the judicial consideration of the definition of a cooperative) has provided flexibility, but at the cost of some uncertainty. “How seriously does member control have to be obstructed or how generously does share capital have to be rewarded
by interest payments before a society no longer meets the requirement?” he asks (Snaith, 2013, 755).

Snaith identifies the key problem confronted by cooperative law to be a failure by government to develop it in the way that company law has been developed, which has resulted in some confusion and has disadvantaged cooperatives. He notes that this is due, in part, to the lack of a UK government department with a proactive role in ensuring that the law applicable to cooperative societies remains fit for purpose. Although he contends that cooperatives in the UK have benefited from a flexible system that promotes experimentation and innovation (rather than being confined by a rigid framework), he nevertheless admits that “there is always a danger that cooperative identity may be weakened or lost as a result of this feature of the system (Snaith, 2013, 755)”.

**Cooperatives and Unions**

In the UK, employee representation is largely tied to unions. In contrast to some EU countries, in the UK there is no formal legal mechanism providing for ongoing workplace representation: there is no structure of works councils elected by all employees, and there is also no legislation or system of legally binding collective agreements which give wide ranging powers to local union organisations to represent all employees. The structure and influence of employee workplace representation therefore varies widely (Fulton 2013).\(^\text{13}\)

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\(^{13}\) According to a major official survey of workplace employment relations carried out in 2011 and 2012, about two-thirds of all employees were in workplaces with some structure of employee representation, and just over half of employees were in workplaces with some union members present (WERS, 2013). Only 7% of workplaces have joint consultative committees and 7% have stand-alone non-union representation. Legislation passed in 1999 provides for the first time a
While unions are well known for bargaining for wages and working conditions, one UK survey found that union representatives in fact spend most of their time on representing individual union members facing problems at work, and acting as an advocate for members facing disciplinary action by employers (Fulton, 2013). This expertise may not translate smoothly to cooperative members’ needs however. An investigation of worker cooperative and trade union relations in Italy in the 1980s found that while unions had been instrumental in helping to convert failed firms into cooperatives, they then struggled to adapt their roles as worker representatives to the cooperatives’ changing character (Thornley, 1983).

Despite the sometimes tense relationship between the labor union and cooperative movements, the ICA and the International Labor Organization (ILO) have recognized the common interests that labor unions and cooperatives share. The ILO has had a Cooperative Branch since 1920, and has worked primarily to provide technical support services to national cooperative organizations and to help governments and cooperative movements “to devise a legislative framework conducive to the development of viable autonomous cooperatives (Tchami, 2007, 107).” Beginning in 1999, the organization began working with the ICA to promote closer collaboration between unions and cooperatives (Tchami, 2007, 110). A 2007 handbook published by the ILO on cooperatives and workers’ organizations notes a variety of cases in which cooperatives and trade unions have collaborated fruitfully, including instances in which unions have helped to set up cooperatives in Singapore, Kenya, and the Philippines (Tchami, 2007, 86-90).

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legal mechanism to compel employers to recognise unions; however where there are no unions, there is no general right or requirement to have employee representatives.
Nevertheless, some in the labor movement remain suspicious of worker cooperative members’ status as both worker and owner, and question their commonality of interest with other workers. As one Philadelphia-area union organizer argues in a Labor Research Review article, worker ownership has been advocated by some as a means to increase worker productivity, “foster labor-management cooperation and give workers a greater stake in the capitalist system (Slott, 1985, 84).” Worker-ownership ventures moreover “channel workers' energy away from economic and political struggle with their employers (Slott, 1985, 86),” and therefore “in the current economic and political context, worker-ownership strikes at the heart of union solidarity (Slott, 1985, 87).”

A survey of labor union leaders in several countries however found that these leaders generally held positive views about worker cooperatives and supported public policy to promote cooperatives, especially in Italy where unions are more often members of organizations that support cooperatives. They moreover thought unions should take an active role in setting up worker cooperatives, and that union representation was necessary in these cooperatives (Lanze, 1992).

Chris Cornforth argues that it is necessary for trade unions to safeguard workers’ interests in the face of expert management, particularly at large cooperatives (Cornforth, 1982). Unions can for example help workers to better formulate their ideas and policies when there is disagreement with management, can represent workers in matters of disciplinary and grievance procedures, and can assist in maintaining standards of health and safety at work. Perhaps most importantly trade unions can provide a link to the
wider labor movement, both to better exchange technical, organizational, and business skills, and to prevent cooperatives from becoming isolated and individualistic.

**Cooperatives Internationally**

The numbers cited by cooperative organizations to showcase the ubiquity of cooperatives and the size of the cooperative economy are impressive. The ICA reports that over 1 billion people globally are members of cooperatives or mutuals. In many countries, including France, Indonesia, Bolivia, and Japan, anywhere from one-fourth to one-third of the population are cooperative or mutual members. That number goes up to 70% for Quebec, Canada and 62% for Finland.

Consumer cooperatives held 36.4% of the consumer retail market in Denmark in 2007; in France cooperatives account for 60% of retail banking, and 91% of all Japanese farmers are members of agricultural cooperatives (ICA, 2013). The largest 300 cooperatives, dominated by agricultural cooperatives and insurance mutuals, had a turnover of $3.5 trillion in 2014. Of the largest ten cooperatives by turnover, four were banks, three insurance mutuals, two retail societies, and one agricultural; four were based in France, two in Germany, two in the US, one in South Korea, and one in Japan (ICA, 2016).

Worker and producer cooperatives make up only around 10 percent of large cooperatives (cooperatives with over $100 million in turnover), yet represent a significant portion of cooperative employment globally. A 2014 report by the International Organization of Industrial and Service Co-operatives (CICOPA, 2014), a branch of the ICA that promotes worker, social, and producer cooperatives and has a membership of 46
national and regional cooperative federations in 30 countries, estimated that at least 250 million people, nearly nine percent of the world’s employed population, are employed by or within over 100,000 worker and producer cooperatives\textsuperscript{14}.

The report considers three types of workers involved in cooperatives: 1) member-owners, 2) employees (who are employed by cooperatives in the same employer-employee relationship as conventional firms) and 3) self-employed producer members, such as farmers, fishermen, and artisans that are not employed by cooperatives (and often employ people themselves) but rely partly or totally on them to provide them with key production inputs, or to process or commercialize their products or services\textsuperscript{15}.

Of that 250 million, 224 million fall into the producer member category, and an additional 15.6 million are employees, leaving only 10.8 million member-owners globally. Asia accounts for approximately eight million of these member-owners, the Americas 1.5 million, Europe 1.2 million, and Africa only 237. Member-owners number a mere 5,234 in the UK, compared to 21,679 in France, 55,140 in the US, 703,879 in Italy, and nearly seven million in India (as a percentage of the employed population, the UK stands at about average, at .8%, while Italy has by far the highest proportion at 7.6%). Over the past few decades, employment in worker cooperatives has remained stable in the UK, while it has significantly increased in France, for example, despite continued high unemployment (CICOPA, 2014).

\textsuperscript{14} The report acknowledges that its estimates are imperfect, due to the difficulties inherent in measuring unconventional types of employment and incomplete records in many countries.

\textsuperscript{15} The degree of contribution of cooperatives to a producers’ employment can vary a great deal, from an average of 50\% of the producer’s total transactions in Argentina’s agricultural cooperatives, to 60\% or 70\% in taxi and transport cooperatives in Brazil, and up to 100\% in some regions like the Basque Country in Spain or Emilia-Romagna in Italy.
A 2017 Co-operatives UK report gives the number of cooperatives (of all types) in the UK as 6,815, with a turnover of £35.7 billion, 226,300 employees, and 13.6 million members. Consumer cooperatives represent the vast majority of turnover with £25 billion and the majority of members at 8.5 million, followed by the agricultural sector with £7.4 billion in turnover and banking with 1.2 million members. The greatest growth in recent years has been in the energy sector, followed by health and social care. Two firms dominate the UK cooperative sector: the John Lewis Partnership and the Co-op Group, each with around £10 billion in turnover for 2016 (Co-operatives UK, 2017).

The report puts the number of worker cooperatives in the UK at 444, employee-owned business turnover at £10.5 billion, and the number of employees at worker-owned businesses at just over 94,000. That the report uses “employee-owned business” instead of “cooperative,” and “employees” instead of “member-owners” is significant because the business that accounts for the vast majority of this turnover (around £10 billion of it) and these workers (around 90,000 of them) is the John Lewis Partnership, an employee-owned business but not a cooperative. Nearly all publicity released by Co-operatives UK (and therefore also most of the reporting in the British press) fails to make clear distinctions between terms like ‘co-operative’, ‘employee-owned’, ‘employee-controlled’, ‘mutual’, ‘employee’, and ‘member-owner,’ likely both in order to simplify the information and in order to obscure the fact that “true” worker cooperatives in fact make up a very small fraction of turnover and employment in the UK.
\textbf{Performance of Cooperatives}

A review of research on employee ownership found that firms that operate with profit-sharing and employee stock ownership do better on key indicators of economic performance, productivity, and other measures of firm performance compared to firms that do not follow these practices. Moreover, workers in firms with shares and participatory work relations have higher compensation, lower turnover, and offer more suggestions for improvement than workers in other firms (Blasi, Freeman and Kruse, 2017).

Research moreover shows that cooperatives stay in business longer than conventional firms (in one study their rate of survival after three years was 75 percent compared to 48 percent for all enterprises, and after 10 years 44 percent of cooperatives were still in operation, compared to 20 percent for all enterprises), that cooperative banks build up countercyclical buffers that function well in crises, and that housing cooperatives considerably contribute to avoiding housing bubbles (Bajo and Roelants, 2001, 109).

Yet Justin Schwartz argues that while observers (such as John Stuart Mill, see chapter five) are correct to note that cooperatives can in general successfully compete with conventional firms once they are established, in practice cooperatives are not often formed -- that is, the market “will not grow cooperatives (Schwartz, 2012).” For this, Schwartz argues, cooperatives need institutional support, be it from trade unions or a major political party.
Cooperative Standards and Identity

A review of cooperative finance structures found that the International Cooperative Alliance (ICA), International Labour Organization (ILO), and European Union (EU) agree on certain aspects of cooperatives -- including that most of a cooperative's share capital must be held by the cooperating members, that shareholding does not determine members’ rights, that any return on capital must be at a limited rate, and that part of the cooperative's reserves cannot be divided among the members. However, other aspects of their financial structures, while understood to be ‘typical’ of cooperatives, are not considered to be ‘essential’ to their nature (García, 2012). These include reserves remaining indivisible even if the cooperative is dissolved or changes its legal form, and variable share capital.

The ICA has left the door open for investors to have a “more limited form of participation” so long as it does not undermine or damage the cooperative nature (ICA, 2013, 11).” For the ICA, the key to developing a unified cooperative identity and supportive legal framework is establishing an “irreducible core” of what it means to be a cooperative (ICA, 2013, 30); especially to distinguish cooperatives from other business forms, allow for regulators to identify false cooperatives, and to avoid targeting under competition and antitrust law. The ICA admits that there is no agreed upon core, including such basic questions as minimum requirements for member control (ICA, 2013, 23) -- there is, however, a cooperative logo and internet domain name (.coop).
Tensions regarding cooperative standards and identity are evident in a 2015 exchange between Co-operatives UK and the International Co-operative Alliance regarding the ICA’s proposed Guidance Notes, which provide detailed advice on the practical application of the cooperative principles to cooperative enterprises. In its consultation response to the ICA, Co-operatives UK suggests multiple times that the Guidance Notes be revised to be less normative, specific, and strict.

For example, Co-operatives UK considers the ICA’s recommendation that “cooperatives need to consider giving employees a voice in their democratic governance” to be “far too normative.” Co-operatives UK further argues that indivisible reserves, “while essential in the DNA of many types of co-operative… should not be portrayed as universally applicable.” Co-operatives UK moreover objects to the ICA’s assertion that “a co-operative’s non-withdrawable share capital and indivisible reserves cannot be divided among members because they do not own this common-wealth individually…” as well as its assertion that “under no circumstances should members’ non-withdrawable share capital and indivisible reserves be subject to any risk of distribution…” These passages, Co-operatives UK argues, “are too normative and prescriptive.” Instead, it is
crucial that the cooperative model retain flexibility “so it can be used by those who may at some point want to exit and dissolve.”

When the Financial Conduct Authority (FCA), the UK government body that regulates cooperatives, last issued regulatory guidance on cooperatives in 2015, Co-operatives UK listed as a “key policy success” the fact that the FCA had “clearly acknowledged and legitimised the role non-user minority investor-members can play in financing some co-ops,” and stipulated that the share capital of such members is not restricted in the same manner as member capital (Co-operatives UK, 2008). This flexibility was seen as “crucial to developing innovations in co-op capital.”

It is not only Co-operatives UK, but a host of cooperative-linked organizations that advocate for relaxed standards, particularly in regards to investment. The Worker Cooperative Law Project, for example, supports expanding the definition of “employee-owned enterprises” to include ESOPs that include a minority of voting stock (WCLP). A 1996 report by the Food and Agricultural Organization of the United Nations came to the conclusion that active participation can be promoted by giving members a separate capital account, even while admitting that studies have found that capital investment by members is not as important as other factors (FAO, 1996).

In the United States, the Department of Agriculture (USDA) also defines cooperatives more narrowly than the ICA, reducing the seven principles to three: the User-Owner Principle (those who own and finance the cooperative are those who use the cooperative,) the User-Control Principle (those who control the cooperative are those who use the cooperative,) and the User-Benefits Principle (the cooperative’s sole purpose
is to provide and distribute benefits to its users on the basis of their use (Reynolds, 2014, 2).

A 2014 USDA report found such an “economic reasoning” approach, which seeks “universal validity through necessary and sufficient conditions for an organization to be a cooperative,” to be satisfactory. The report took issue with the seventh cooperative principle, “concern for community,” and with indivisible reserves (Reynolds, 2014, 2), which are described as “essentially a constraint imposed at an earlier point in time by former members who have retired from participation in the cooperative” that “conflict with the explanation of USDA principles as recognizing the interests of current members without regard to those in the future (Reynolds, 2014, 5).”

A number of commentators have been critical of what they call cooperative “purism.” In his study of collective justice systems in small-scale cooperatives, Stuart Henry argues that cooperatives and other radical organizations that “reject capitalism at their core” are likely to remain marginal and contribute little toward broad-based change. On the other hand, if collective justice systems were introduced into conventional organizations and firms, they would likely have greater impact in shaping capitalist legality -- even if they do not directly challenge that order in the way they do in cooperatives. “Short of revolution,” Henry asserts, “change towards socialist legality is more likely to be fostered by mechanisms of communal justice within institutions that do not challenge the basic premises of capitalism than through the development of more radical conflicting institutions (Henry, 1985, 324).

For these critics, cooperatives’ marginality is due to members’ “utopian drive” and reluctance to open themselves to outside investment, as well as their apolitical
outlook and failure to build a political movement around their ideals (Thornley 1980). British cooperative leader and author Edgar Parnell argues that, in retrospect, a strict adherence to principles has been detrimental to the growth and wider use of cooperatives (Parnell, 1995).

Relaxing standards comes with a price, however, namely weakening the organizational strengths that flow from worker ownership and control and a strong collective identity. In France, cooperative law underwent major reform in 1992, when cooperative standards were relaxed to accommodate outside investment, the impartibility of reserves was weakened, and a path to demutualization was created (Seeberger, 2014, 76). Then, in 2001, the non-profit cooperative form was legislated, requiring the mandatory appropriation (of 57.5%) of profits to indivisible reserves, but also orienting the form toward philanthropic purposes. This combination of weakening cooperative standards for most cooperatives while further conflating common property cooperatives with charities or social benefit businesses is a good example of how cooperative law might serve to undermine worker cooperatives rather than strengthen them.

Members often have little choice, however, but to make compromises. Kirsten Fransescone shows that members of Bolivian mining cooperatives, while collectively a formidable political force in the country, are driven to support foreign investment and partnerships with private firms -- not because they have become “traitors” to the movement, but out of necessity, due to the volatility of mineral markets and the consequent insecurity and high levels of poverty they experience (Francecone, 2015).
Chapter 3: Organizational Structure of British Worker Cooperatives

**Worker Autonomy and Roles**

The cooperatives in this study varied considerably in the complexity of their organization and the formality of the rules and policies that structure the workplace. Compared to the large cooperatives, the smaller cooperatives operated on a much more informal basis, leaving many of the day-to-day duties and responsibilities of members unwritten and subject to change depending on need. Members of both large and small cooperatives (but of the small cooperatives in particular) reported enjoying a large degree of autonomy, and linked self-management to feeling trusted, respected, and capable of contributing to the cooperative without constant monitoring and instruction.

These members however agreed that self-management can entail a considerable amount of stress. Being ultimately responsible for the business weighed heavily on some members, and often meant working long hours, having to be flexible with one’s time, and not having the luxury of completely “clocking out” at the end of the day or on weekends. Despite these not insignificant downsides, members of the small cooperatives agreed that they nevertheless much preferred to work for themselves than for someone else. As one member said,

> “It can be rough, especially the first few years. But for us it’s worth it, to build something you care about and to have the self-respect that goes along with that.”

Members at the large cooperatives also reported exercising a considerable degree of autonomy in their work, but within certain limits, as roles at the large cooperatives are more rigidly defined and delineated. The large cooperatives have over time expanded to

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16 #20, 02/12/16
include dozens of different posts, from warehouse workers and drivers to salespeople and human relations managers, which at the largest cooperative are grouped into sectors and overseen by sector coordinators. Having defined roles and set working hours were positives for members at these cooperatives, several of whom had worked less structured jobs in the past. One member at the largest cooperative said that:

“Knowing your shifts in advance is important because it allows you to plan your life. When you have a family and other responsibilities, it’s essential. And not every company respects that.”\(^\text{17}\)

A large membership allows for greater specialization and division of labor, and members at the large cooperatives saw this as critical for the success of their business. However, members were also aware that any division of members based on their skill set threatened to segregate members and generate a status hierarchy. As one member at the largest cooperative said:

“With any large and complex business you will need people with special skills doing certain jobs, that’s unavoidable. What you don’t want is some members feeling more important or deserving than others, to have the office workers demanding higher pay than the warehouse workers, for example.”\(^\text{18}\)

In view of this, the large cooperatives employ scheduling tables to allow (and sometimes require) members to do several different jobs each month, or even within a single week. Taking on multiple roles was considered important for reasons beyond the practical advantage of making it easy for members to fill in for each other. Members stressed the humanizing effects of being able to break up the monotony of performing a single task or type of work for hours and days on end. Rotating among workspaces also allows members to work alongside others who they might otherwise rarely interact with.

\(^{17}\) #1, 02/10/16

\(^{18}\) #9, 02/10/16
with the result of fostering closer relationships and more complex webs of connections among members. One member noted that:

“All too often people are treated like machines at work, and we try to avoid that. For us, quality of life issues like this are as important as the bottom line.”

And another member warned that:

“In a cooperative of one or two hundred members the sense of community can start to slip away if you’re not careful.”

By learning the ins and outs of different jobs, members are able to become knowledgeable about the global operation of the cooperative and are better able to empathize with the challenges their coworkers face. Members at the large cooperatives identified more generally as members than as a particular position, such as warehouse worker or salesperson. One member noted that cliques are less likely to form among groups of workers according to their particular role and skills when members gain an appreciation of the value each kind of work adds to the cooperative. Although roles at the larger cooperatives were somewhat more specialized and defined compared to the smaller cooperatives, the practice of job rotation helped to counteract this tendency in larger businesses.

The community-building and shared knowledge that frequent interaction and first-hand experience with different roles in the cooperative promoted were understood to be crucial elements of the cooperatives’ democratic decision-making process. One member observed that:

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19 #15, 02/11/16
20 #12, 02/10/16
“For democracy to really work well in a cooperative, at the most basic level members must work together and the work must be shared. That’s the basis for equality.”

Wages and Membership

All of the cooperatives included in this study pay members equal wages, and all members interviewed strongly supported this policy. Paying equal wages was widely seen by members to be a defining feature of their cooperative. As one member at the largest cooperative said:

“Equal pay is what sets us apart, not just from other businesses, but from other large cooperatives as well. We’re quite proud of it.”

Another member explained:

“We don’t ignore the realities of the market, but we do reject the idea that the market sets wages fairly, that one person’s contribution can be worth one or two hundred times another person’s.”

Another member said that he was confident that cooperatives could attract qualified people because:

“people care about their working environment, and cooperatives offer something different.”

No members reported that their cooperative had had any trouble finding people with the skills they needed, although several mentioned experiencing learning curves from time to time when facing new development or logistical challenges.

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21 #18, 02/11/16
22 #2, 02/10/16
23 #1, 02/10/16
24 #23, 04/07/16
A sentiment that many members shared was that different kinds of work requiring different skills -- whether making sales calls or cleaning floors, stocking shelves or crunching numbers -- equally contributed to the success of the business. One member admitted that the idea took some getting used to, while another called it an “epiphany,” a demystification of the common understanding of how workers’ time is valued:

“The value of a person’s time [is] the value of a person, period. [It now] seems bizarre to value an hour of one kind of work differently than an hour of another kind [when both were equally essential to the operation of the cooperative].”

In cases where one task is more difficult or less desirable than another, the cooperative solution is to share the work among the group if possible, rather assign it to low-status workers. As one member put it:

“No one should believe they’re above cleaning the toilets they use. Everyone taking part in doing the dirty work is a great leveler.”

Maintaining equal wages at their cooperative was a strong priority for all members; another member explained that equal wages:

“backed up the cooperative principle of one member, one vote with actual, economic equality.”

Not all workers at these cooperatives are members, however. All of the cooperatives require newly hired workers to complete a probationary period before they can become members, which typically lasts from six months to a year, and during which they earn a lower wage than members and do not have voting rights. This period allows

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25 #3, 02/10/16
26 #31, 09/11/17
27 #5, 02/10/16
28 #22, 02/12/16
members to determine whether new workers are a good fit for the cooperative before granting them full membership rights and benefits.

The large cooperatives in addition recruit temporary workers during busy periods, even when those workers have no intention of applying for membership. These workers typically were paid slightly lower wages and did not have voting rights. It was estimated that approximately 15-20% of the workforce at the second largest cooperative, and up to 25% of the workforce at the largest cooperative, were non-members during these peak periods. This fact concerned nearly every member interviewed at these two cooperatives. Members said that this practice violated cooperative principles and had led to a two-tiered workplace. One member admitted that

“...It goes against our core values, really, but it can be win-win for us and for those looking for short-term work.”

One member noted that the John Lewis Partnership and some Mondragon cooperatives employ a significant amount of non-member workers and own subsidiaries where no workers were members. This was seen by this member as perhaps an inevitable tendency in larger cooperatives with complex operations. This member claimed that most members felt that it was necessary for cooperatives -- especially those with strong seasonal variations in demand -- to be able to take advantage of a limited amount of non-member labor.

Nevertheless, nearly all members at the large cooperatives cited the practice as a problem both at their cooperative and for worker cooperatives in general. One member

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29 #11, 02/10/16
30 #12, 02/10/16
described the creeping temptation to take on more non-member workers as a serious threat to everything cooperatives stand for:

“When these kind of practices become normalized, we’re in danger of losing our cooperative identity, and we risk reverting back to old habits.”\(^{31}\)

--- such as accepting hierarchical organization and unequal wages.

Moreover, while providing members with a living wage was cited as a principal aim of cooperation, members at nearly all of the small cooperatives admitted to underpaying themselves in the first years of their business -- and likely violating labor law by doing so. As one member said:

“It’s unfortunate, but sometimes there’s no getting around it, [however,] it’s not the same as being an employee and having low wages, or being underpaid by an employer.”\(^{32}\)

While the low wages and poor working conditions -- such as long or unpredictable hours and the skirting of safety regulations -- were less than ideal, it mattered to members that they bore these difficulties in order to build their business, and not someone else’s. One member added that:

“It’s somehow more bearable when you’re exploiting yourself!”\(^{33}\)

For this member, the problem lay not with the cooperative model, but with the lack of social support from the state:

“If you had something like a universal basic income, if you had affordable housing… then it would take quite a bit of the pressure off, wouldn’t it? With

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\(^{31}\) #24, 04/07/16  
\(^{32}\) #28, 04/06/16  
\(^{33}\) #26, 04/06/16
your basic needs met, you could work because you want to, when you want to, not because you have to.”

**Member Equality**

The first cooperative principle requires that membership be voluntary and open, and prohibits “gender, social, racial, political, or religious” discrimination. All members interviewed said that their cooperative takes this principle seriously. Almost two-thirds of respondents reported that they personally experienced less discrimination based on their gender, race, political views, religion, sexual orientation, or disability at their cooperative compared to previous jobs, while the remainder (all male) reported experiencing no difference; no respondents reported experiencing more discrimination.

Three female members at the large cooperatives noted that, at their cooperative, women tended to take on more leadership roles than did men, and that women were very active in decision-making spaces: women were well-represented on management committees and felt they could speak out during meetings on par with male members. Yet, as one female member added,

“‘That is not to say that there’s no sexism at all, just that it’s so much less an issue here than what many of us experienced at previous jobs.”

The fact that women constituted at least half of members, were paid equally, had equal votes, and took on key roles went a long way, she said. Both large cooperatives moreover held talks to educate members about sexual harassment and discrimination in the workplace, and all members felt they had a good awareness of these issues.

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34 #26, 04/06/16
35 #21, 02/12/16
Members identified inequalities at their cooperative between more and less assertive members, longtime and newer members, and members more and less experienced in certain specialized areas. Promoting equal participation in decision-making was seen as a top priority for all members, many of whom were concerned about falling into a pattern where some members regularly dominate the discussion. As one member explained,

“Some members don’t see a problem, they think it’s normal or natural to have that diversity, that it’s a good thing. Of course it can be, but if you’re not careful there will be one group of leaders running things and a group of followers just sort of going along with it.”

While these groups are informal, they can be just as real as any official hierarchy of managing and subordinate groups, and can be that much more difficult to recognize.

Nearly all members reported that whereas some members are normally outspoken and assertive, others tended to be shy, reserved, or non-confrontational. It was underscored by one member that the significance of these personality traits should not be underappreciated; while members’ votes carry equal weight, ultimately the agenda is set by those who can formulate and promote their proposals or express their grievances most effectively. Several members also observed that members who have been with the cooperative the longest tend to think that their opinion should be given more weight, while newer members generally feel less comfortable asserting themselves. One member said that while longtime members

“Do often have valuable wisdom to share from their experience, it’s important to not defer to them too much [and allow any member or group of members to claim authority].”

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36 #5, 02/10/16
37 #9, 02/10/16
Respondents at the large cooperatives were particularly concerned about power accumulating in specialized roles. A member at the largest cooperative noted that, over the past few decades, the cooperative had experimented with several organizational configurations as the cooperative grew from several dozen to over a hundred members. Finding the right balance between delegating authority to certain groups, such as the personnel and the finance committees, and ensuring that those groups were not captured by more experienced or longtime members, was not easy, and not always successful. However, this member said that:

“the key is that members are active and vigilant. When members become detached or apathetic is when they begin to cede control.”

Respondents widely agreed that it is a problem that some members tend to be more effective at communicating their position and persuading others or otherwise “getting their way;” in response many of the cooperatives have made efforts to put members on an equal footing. At one cooperative, for example, much discussion and debate takes place over email, a format that makes it easier for many members to express their opinions and concerns without the pressures of on-the-spot, face-to-face interaction. A member at the largest cooperative observed that:

“Especially with the younger generation, some members are much more comfortable communicating online and through text. It shouldn't replace in-person chats, but it can supplement them.”

Another way the larger cooperatives have facilitated more open exchanges of views is by holding discussions in small groups rather than only during general meetings, which for many can be intimidating. Instituting a variety of ways for members to interact

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38 #4, 02/10/16
39 #7, 02/10/16
and communicate was seen as essential for ensuring that all members are involved in the decision-making process, and for guarding against informal hierarchy. As one member noted:

“These are not problems specific to cooperatives, but when there are no official hierarchies, it’s all the more important to be aware of the unofficial ones.”

Ownership

The workers I spoke with identified neither as employees nor as owners, but chiefly as members and coworkers. As one member explained, the term ‘employee’ signifies being employed by someone else, which isn’t the case for members, and the term ‘partner’ did not fit because it lacked the sense of community and shared values that cooperation represents. Respondents described cooperation as more than merely an association of people joined to promote their individual interests. One member stressed that cooperation:

“Is also about taking part in creating a more sustainable economy [in which] workers have more agency.”

To be sure, members agreed that earning a living wage and having job security and good working conditions were essential purposes of cooperation. However, as one member pointed out, what sets cooperation apart from partnership is a commitment to the cooperative principles of equality, solidarity, and community: satisfying these purposes for not only high-status workers and owners but all members equally, making provisions for future members, and supporting the development of other cooperatives. And unlike

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40 #2, 02/10/16
41 #5, 02/10/16
42 #22, 02/12/16
conventional firms, cooperation guarantees that these aims are never secondary to turning a profit in order to enrich executives and non-worker shareholders.

A linchpin of the worker cooperative form in the UK is the institution of communal ownership. Members are by law equal co-owners by virtue of holding equal shares in the firm, worth a token £1. With an asset lock, if the cooperative is dissolved members cannot benefit financially from the sale of residual assets, which must be transferred to a cooperative association or community benefit society. This removes the ability of members to gain from the dissolution or conversion of the cooperative into a company. All members strongly supported this rule, and believed that it was a defining feature of their cooperatives. Several members cited a string of high-profile cases of cooperative demutualization in the UK in the 1980s as an example of the consequences of lacking a strong cooperative identity based on democratic management and communal property.

While members are legally co-owners, none used the term to describe themselves. Members instead spoke about how the traditional concept of ownership did not apply to cooperation. One explanation was that ownership implies the ability of the owner(s) to sell their property to make a profit or otherwise dispose of the proceeds as they wish. Another was that ownership grants owners rights even if they do not live, work, or participate in the organization or the community that grants the ownership rights. One member noted that cooperatives have always been

“First and foremost a means to meet members’ needs, whether it’s high-quality food, housing, insurance, or employment. That also means that cooperatives are fundamentally local and community-owned businesses.”

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43 #32, 09/11/17
44 #10, 02/10/16
45 #1, 02/10/16
This differentiates cooperatives from businesses that provide goods and services primarily as a means to make profit.

Members felt that they did not derive their rights from ownership, but from membership, which requires active participation in the work of the cooperative. No member said that they felt entitled to a part of the value of the cooperative. As one member explained, past members, the community, and other cooperatives have all added value to the firm, and so current members were

“More caretakers than owners. [As with the planet,] we use it and develop it for our own benefit, but also for the benefit of future generations, so it needs to be sustainable.”

Cooperation Among Cooperatives and Trade Unions

Members held generally positive views of the British cooperative federation Co-operatives UK, particularly those at small cooperatives who noted that the federation had assisted their cooperative financially or had provided legal and organizational advice when they started up. Two members who had been working at one of the large cooperatives for a longer time however were more critical of the organization. These members saw the federation as distant, dominated by The Co-operative Group and other consumer cooperatives, and unconcerned with worker cooperatives.

The two members both nevertheless acknowledged that Co-operatives UK provides an important source of funding and assistance for worker cooperatives, and has made some efforts to reach out to them, for example by helping to establish the Worker Co-op Council. Yet as one member explained,
“It’s only natural that a federation so heavily weighted toward some interests will neglect the interest of others.”

Another member suggested that one solution would be for the International Cooperative Alliance to admit cooperatives directly, rather than indirectly through cooperative federations. Two small cooperatives are members of Radical Routes, a much smaller cooperative federation composed of 26 housing and 7 worker cooperatives. Members described this network as considerably more political and radical than Cooperatives UK. Since 1991, Radical Routes has lent nearly £600,000 to member cooperatives through its ethical investment arm, Rootstock. The federation seeks to provide support to small worker and housing cooperatives that might otherwise be overlooked.

The four members who mentioned Radical Routes had a very positive opinion of the network. One member explained that its relatively small size and focus on housing and worker cooperatives made it more accessible than larger, more impersonal federations that do not consider those types of cooperative to be priorities. Smaller, more local, and more sector-specific networks were favored by nearly all members. One member observed that

“The consumer and worker cooperatives coming together has been mostly positive, but there still is some tension there.”

About three-quarters of the workforce at the largest cooperative are union members, as are all members at two of the small cooperatives. Initially, the largest cooperative had considerable trouble convincing several unions that it made sense for its

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48 #5, 02/10/16
49 #12, 02/10/16
50 #17, 02/11/16
members to join, but eventually one union accepted (even though it is a baker’s union, and the cooperative is a wholesaler). Indeed, one member observed that the role of a union in a cooperative may not seem obvious. She explained that at larger cooperatives unions can play an important role in helping to prevent hierarchies from forming, ensuring health and safety standards are met, and seeing to it that members do not overwork themselves.

Several members admitted that, early on, their cooperative did not pay much attention to health and safety regulations -- particularly in the warehouse where members would lift very heavy loads -- an oversight their union drew their attention to. Unions can in addition assist in the dispute resolution process, playing the role of a third and neutral party. As one member argued,

“It’s important for cooperatives to show solidarity with unions, because without unions we’d have to compete with companies that can undercut our prices because they benefit from low-wage labor.”

The ability for cooperative members to pay themselves well, then, ultimately depends on the collective strength of workers both at home, and abroad.

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51 #6, 02/10/16
52 #2, #11, 02/10/16
53 #6, 02/10/16
Chapter 4: Law and Governance of British Worker Cooperatives

Political Identity

Members held a wide range of political and ideological identifications, including Labour, Liberal Democrat, socialist, conservative, anarchist, environmentalist, and feminist, while over half a dozen members described themselves as not political. Whereas members at the small cooperatives were more likely to identify as socialist, anarchist, or leftist, members at the large cooperatives were decidedly more mixed. A member at the largest cooperative observed that founding members tend to be more politically-minded and broadly leftist, but as cooperatives grow they become increasingly diverse, including in regards to members’ political views. As per the first cooperative principle of open membership, political views cannot be taken into consideration in recruitment.

Many members agreed that cooperative workers in the UK tend to identify with the political left or environmental movement, but as one member pointed out, those labels include a diverse range of concerns and priorities, and members’ identification with them varied. One member also suggested that rather than positively identifying with any particular left, many members’ politics consisted chiefly of opposition to the performance and policies of recent centrist and right-wing governments. A member who identified as conservative noted that cooperatives can just as well appeal to conservatives like him, or to people with no political affiliation who value self-help and self-management.

54 #8, 02/10/16
55 #15, 02/11/16
56 #32, 09/11/17
57 #3, 02/10/16
None of the members interviewed were personally involved with or had much familiarity with the Co-operative Party and no member described their cooperative as being actively involved with the Co-operative, Labour, or other national parties. Several members interviewed at the large cooperatives described their workplace as apolitical, while no member of the small cooperatives described their workplace in this way. At both the large and small cooperatives, members sometimes discussed political topics and current events amongst each other, but rarely, if ever, did so during meetings, and no official political positions were taken by the cooperatives.

A majority of respondents were not optimistic about the state of politics in relation to the cooperative movement, and very few saw much promise in the movement investing effort in an electoral strategy. Instead, a common sentiment was the desire to be on a “level playing field” with other businesses but to otherwise be “let alone.” One member explained that:

““There is a strong self-help ethos [in the cooperative movement that developed] because people felt they couldn’t count on either the private sector or the government.”®

This member, involved in the movement for several decades, remembered more enthusiasm for Labour among cooperative members in the 70s, but not much since. However, he said,

“that could change with the new leadership.”®

While members were notably disillusioned with national electoral politics, approximately three-fourths reported being involved in local politics both with matters

® #13, 02/10/16
® #13, 02/10/16
related to their cooperative and with other community issues. All members felt that their cooperative encouraged engagement with the local politics, and that, compared to conventional firms, members were much more involved in activities such as attending council meetings and speaking with elected representatives. One member explained that she found local politics much more meaningful than voting every few years in national elections because

“It’s always the same thing, it doesn’t matter who you vote for. At least when it’s closer to home you feel like you can help make something happen, even if it’s something small.”

Cooperative Principles

Agreement with cooperative values is a requirement for membership, and the probationary period allows cooperatives to screen workers and determine whether they can work well in a cooperative environment. A member at the largest cooperative estimated that more than half of the current members at that cooperative had little or no knowledge of cooperative principles when they began working there. She noted that occasionally workers will leave during their probationary period because they had difficulty adapting to the way the cooperative operated, which requires workers to make decisions independently, as well as to sometimes consult extensively in groups. She observed that

“Some people prefer to be managed rather than manage themselves [because] it is what they are used to.”

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60 #25, 04/07/16
61 #9, 02/10/16
62 #9, 02/10/16
She explained that, for workers accustomed to having a boss, a flat management structure can be “disorienting” and “stressful.”

Members at both the large and small cooperatives said that the cooperative principles served as an important reference point when making both major and minor business decisions. Several members of one small cooperative recited the principles from memory, and agreed that the cooperative principles were not just for show, but useful for orienting themselves and setting themselves apart from other businesses. A member of a large cooperative said that:

“I don’t imagine that all members can list all of [the principles] right off the top of our heads, but they are posted about and we do discuss them in meetings. I think they’re an important guide and central to our identity as a cooperative.”

Apart from general agreement around the importance of the cooperative principles, the ways in which members identified with them could vary considerably. While some members described the principles as the foundation of a cooperative community and lifestyle, others saw them simply as a better way to organize a business. One member observed that some members subscribe to a sort of “cooperative patriotism,” an ardent devotion to the cooperative movement and a belief that cooperatives can be “a solution to all of society’s ills” -- although none of the respondents espoused such a view. All members agreed that cooperatives had an important role to play in improving working conditions and reducing inequality.

In addition to providing members with gainful employment, all of the cooperatives were founded with an aim to provide their communities with high-quality

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63 #26, #27, #28, 04/06/16
64 #10, 02/10/16
65 #32, 09/11/17
goods or services while maintaining high ethical standards. For example, the grocery store, wholesalers, and bakeries specialize in healthy and organic ingredients, the bike shops repair and recycle older bikes, and the bar and cultural space and one of the bike shops host community organizations and events. Particularly for members of the small cooperatives, it was very important to be providing these goods and services that the market would not normally support at an affordable price for working class people. One member at a small cooperative said that

“we’re not a social business, however we do try to honor the cooperative principle of concern for our community. We think of it as our responsibility to do business in a sustainable way, for the Earth and for the people in the community.”

Yet as one member noted,

“because any business can in theory take the form of a cooperative, we can’t assume that cooperatives necessarily will be good for the community. [For example,] you can imagine cooperatives in polluting industries, or manufacturing weapons.”

This member argued that, in any case, determining

“what type of business ‘does good’ and what ‘does harm’ is messy, and most workers can convince themselves that they are contributing to something that is socially beneficial.”

Cooperative societies are, after all, distinguished from community benefit societies by the FCA. Whereas cooperatives are “run for the benefit of their members, distributing profits between their members,” community benefit societies are “run for the benefit of the wider community, reinvesting profits in the community (FCA, 2015).” At the same time, the seventh and last cooperative principle, “Concern for Community,”

66 #21, 02/12/16
67 #32, 09/11/17
68 #32, 09/11/17
reads “co-operatives work for the sustainable development of their communities through policies approved by their members.” The FCA and some commentators have grouped this principle with the fifth and sixth principles (Education, Training, and Information, and Co-operation among Co-operatives, respectively) as secondary cooperative principles, important but not essential to the cooperative identity.

While three members did agree that the seven principles are not necessarily of equal importance, all members at the small cooperatives, and nearly all members (12/15) at the large cooperatives, rejected any ranking of the cooperative principles. One member at a small cooperative argued that while it may seem that the first three principles are easier to measure, in fact

“a cooperative might seem to be democratically controlled on paper, but actually be ruled by a handful of members.”

Nearly all members emphasized the importance of promoting cooperation between cooperatives, and cooperative education. These principles

“are what make the cooperative movement a movement, as opposed to an archipelago of self-interested businesses.”

Cooperative Law

Members’ attitudes toward state regulation of cooperatives were ambivalent. There was widespread agreement that having a distinct legal form was beneficial for cooperatives; however more than half (19/32) of members were wary of the state defining what a cooperative is and is not. These members preferred that cooperatives be given wide latitude to regulate themselves through a cooperative network such as Co-operatives UK

\[69 \#32, 09/11/17\]
\[70 \#14, 04/22/15\]
(including the Worker Co-op Council) or a national cooperative agency directly accountable to cooperatives. Others had no strong opinion either way, however none voiced satisfaction with the status quo.

Several members voiced their concern that state regulatory bodies do not understand cooperatives, one explaining that governments were only interested in using them as political props from time to time. These members said that they had much greater faith in the ability of an organization like Co-operatives UK to do things like define cooperatives, root out fake cooperatives, provide guidance on cooperative constitutions and rules, resolve disputes between cooperatives and between cooperatives and members, and promote the cooperative identity.

Members’ knowledge of cooperative law varied. All but two members knew that cooperatives in the UK are regulated by the Financial Conduct Authority (FCA), however, aside from founding members who registered their cooperative with the agency, few knew what specific criteria the FCA considers when it determines whether a society is a bona fide cooperative. Respondents were aware that labor law applies to them like any other worker, that their cooperative enjoys limited liability, and that disputes between members or between members and their cooperative can be taken to an employment tribunal. However few knew that under current law FCA decisions cannot be appealed.

Whereas the large cooperatives and one small cooperative have instituted formal dispute resolution procedures, the other small cooperatives have been able to resolve disputes informally and have not had to resort to formal mediation or to an employment tribunal. All members agreed that the tribunals were at present ill-suited to their needs,
and several suggested that disputes should be handled within the cooperative movement, at a special state tribunal, or some combination of the two.

One member, who had knowledge of several disputes between members and a cooperative that could not be resolved in mediation, said that it was clear that tribunal judges were not familiar with cooperatives. Judges reacted in very different ways; in one case, the judge was very interested in the cooperative form and how it fit into the adjudication of employment disputes, while in another case, the judge did not seem to care, categorizing the member as an employee and the cooperative as the employer without much thought.

Although respondents were far from keen on the state regulating cooperatives, there was widespread agreement that certain legal requirements could help to preserve the cooperative identity. While all members were committed to maintaining equal pay at their own cooperatives, they agreed that other cooperatives in different industries and situations should be allowed some flexibility. For such cooperatives, all members supported setting a maximum pay ratio between the lowest and highest paid members, and suggested ratios ranged from 1:2 to 1:10. Members also supported setting a ceiling on non-member workers at anywhere from 15% to 33% of the workforce. Finally, there was universal support for requiring cooperatives to keep indivisible reserves (an asset lock).

Half a dozen members expressed interest in the government providing financial support for new cooperatives or tax breaks for indivisible reserves; however nearly half (14/32) were wary of any government subsidy. As one member explained:

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72 #1, 02/10/16
“Preferential tax treatment invites a lot of unwanted attention -- and creates incentives to set up fake cooperatives. We want to contribute as much tax as other businesses.”

Another member affirmed:

“We’d only prefer that big corporations actually pay their fair share of taxes, too.”

While many members liked the idea of the state providing financial support for setting up cooperatives, several pointed out that such support normally comes with strings attached. One member argued that, instead of passing laws privileging cooperatives, the movement should focus on eliminating the privileges that larger corporations enjoy. As this member argued:

“It’s not that cooperatives can’t do well without subsidies or special treatment, but they can’t be expected to compete with multinational corporations that use tax shelters and accounting gimmicks, or are basically monopolies.”

Cooperative Decision-making

At British worker cooperatives, all members are involved in making decisions concerning the operation of the business. Members agreed that this was the single most important difference between cooperatives and conventional businesses. The ways decisions are made varies depending on the size of the cooperative; however all of the cooperatives make major decisions at general meetings held several times a year.

Cooperative members must be managers as well as workers, a role with which many incoming members have little familiarity. As one member explained,

\[73\ #26, \ 04/06/16\]
\[74\ #19, \ 02/11/16\]
\[75\ #22, \ 02/12/16\]
“Educating new members about cooperation is essential. We’re conditioned to either give or take instruction, and it takes some time to deprogram that.”

A majority of respondents at the large cooperatives (8/15) expressed some exasperation with either the frequency and length of meetings (which are “on the clock” and therefore can incur significant costs), and/or with the challenges of involving the entire membership in a large number of issues and decisions. Yet these respondents agreed that this was an acceptable price to pay for the benefits of democratic management, namely greater accountability and transparency.

Several of the cooperatives have a relationship with Seeds for Change, a cooperative itself that advises and facilitates trainings for cooperatives and other groups in participatory democracy and consensus decision-making. The group describes consensus decision-making as a method for finding solutions “that all members can actively support, or can at least live with.” Consensus differs from majority rule in that it promotes arriving at a decision that all members can agree with more than disagree with, rather than one that a simple majority strongly agrees with, and a large minority strongly disagrees with. The most obvious procedural difference from majority voting is that a single member (or sometimes a small number of members) can block any proposal. The consensus process of proposing ideas, discussing them and exploring modifications or alternatives is however designed to reduce the likelihood of blocking and promote consideration and empathy for the positions of other group members.

An example of this process in action was described by one member at one of the large cooperatives. Members were debating whether to reward long-serving members

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76 #32, 09/11/17
77 #23, 04/07/16
with a sabbatical of 4 weeks paid leave, or to allow them to opt for taking less or no paid leave and receiving a lump sum in lieu. Some members who valued free time and were deeply concerned with worker burnout felt that time off should be required in the interest of members’ health and well-being.

Through a series of discussions, it became clear however that some members needed or valued additional wages over additional free time, and eventually a compromise was reached allowing for flexibility on the policy. It was described as a consensual decision not because everybody agreed with the particular outcome -- many did not -- but because the process itself, involving hearing out a diverse range of viewpoints and working to find a solution that satisfied as many members as possible, produced a sense of empathy and solidarity among the members. One member explained that

“Even if you don’t end up getting 100 percent of what you wanted, when you know that the process is open and fair, it makes all the difference.”\(^78\)

All of the cooperatives made major decisions -- such as those concerning workplace policies, business strategy, and financial planning -- solely on consensus, with the exception of the largest cooperative (of about 170 members), which uses a mix of consensus building and majoritarian voting, and divides decision-making between the general meetings, an annually elected management committee, and sectors or departments in the cooperative. While members described the management committee as being open and accountable, one longtime member noted that as the cooperative grew, a group of a dozen or so members tended to take on roles on the management, personnel,

\(^78\) #25, 04/07/16
and finance committees, their previous experience making them increasingly attractive candidates in a cycle that was both virtuous and vicious. As this member put it:

“On the one hand, you want expertise on these committees, however on the other you want to make sure that there’s some rotation on the committees and new voices are heard.”\textsuperscript{79}

A member at the second largest cooperative (of about 75 members) said that despite the growing membership, their cooperative was committed to making decisions on consensus. Finding the right balance between broad consultation and timely decision-making could be challenging, but as this member noted, taking the time and effort to educate and involve members resulted in better informed decisions with broader support, which was ultimately more efficient, as it improves morale and fosters a sense of community\textsuperscript{80}. As another member admitted:

“Getting self-management right is a massive and never-ending challenge, but when it works well, it works really well.”\textsuperscript{81}

Workforce Growth

The rules and policies adopted by the worker cooperatives in this study are partly borrowed from cooperative movement best practices (see Appendix B) -- supplied by organizations like Co-operatives UK, Radical Routes, Seeds for Change, and the Co-operative College -- and are in part idiosyncratic to each cooperative. Factors that influence how governance structures and workplace culture evolve at individual cooperatives may include the cooperative’s geographical location, industry, and startup

\textsuperscript{79} #1, 02/10/16
\textsuperscript{80} #23, 04/07/16
\textsuperscript{81} #14, 04/22/15
conditions, among others. The findings presented here suggest that the growth of cooperatives’ workforce may be one of the most consequential.

The relatively consistent workforce growth that the two large cooperatives have experienced over the past several decades was both a source of pride and concern for their members. Members were proud of what they and former members had accomplished, namely creating good, stable jobs in communities that had suffered the effects of deindustrialization, globalization, and austerity. One member recalled that

“A lot of manufacturing disappeared in the Thatcher years, and this business has really revitalized the area. The more decent jobs we can provide, the more of a knock-on effect we can have as well.”

Yet, respondents at these cooperatives were also concerned that the almost runaway success of their business was growing the workforce to a size that was increasingly difficult to manage democratically. One member explained that:

“There are a lot of benefits to having more members, for example it is usually less stressful for members because responsibilities are shared. On the other hand, members tend to disengage when the group is larger, and at the same time meetings become harder to navigate.”

One member described the logic of expansion as “almost taking on a life of its own.” This may be because growing the cooperative seems like it’s win-win: doing so not only helps to increase the wages and secure the jobs of current members, it also creates more jobs in the community and supplies high-quality, ethically-traded goods or services. However, as this member observed, how much of a ‘win’ it is for the community is less clear if many of these new jobs are temporary and therefore are lower-
paid, precarious, and without voting rights. Members may end up losing out as well if the
democratic culture of cooperatives suffers as their workforce grows. As another member
put it,

“One of the biggest assets of a cooperative is that everyone is involved, working
together as equals, so we lose that advantage the larger we are, the less involved
members become.”

Both large cooperatives already employ a significant amount of non-member
workers, and the largest cooperative found it necessary to move from collective
management and consensus-based decision-making to management by elected
committees and majoritarian-based decision-making. One member said that it is

“Hard to imagine not bringing in outside management and having to pay them
more if the co-op grows to many hundreds of members in several locations.”

To be sure, members at the large cooperatives agreed that their cooperatives have
maintained extraordinarily equal and democratic workplaces, and have improved upon
their governance over time. The cooperatives have accumulated not only the physical
assets, but also the institutional knowledge necessary to support future generations of
members. One member of the largest cooperative, who is interested in cooperative
management, noted his cooperative’s history of innovation in cooperative governance
and in experimenting with ways to promote participation. He was optimistic that larger
cooperatives could benefit from theories of management and information technology
grounded towards cooperatives rather than conventional firms.

85 #5, 02/10/16
86 #25, 04/07/16
87 #1, 02/10/16
However, for many members, at some point the costs of growth become too high. As roles are increasingly formalized and the workplace increasingly departmentalized, the web that connects members can begin to unravel and achieving consensus can become less tenable. As one member at the second largest cooperative said,

“The spirit of a cooperative changes when it grows from ten to fifty members, and then to nearly one hundred. A sense of intimacy with other members is lost, and the cooperative starts to feel less like a joint project and more like an impersonal business.”88

This member suggested that when reaching consensus is no longer practical, members should consider limiting the growth of their cooperative and instead funnel resources into creating new, independent cooperatives. Nearly all members at both of the large cooperatives agreed that perhaps that point had been reached at their workplace. But, as another member emphasized, regulations could be a double-edged sword:

“The incentive to expand and in a way that benefits those who are owners or members, at the expense of those who are not, is baked into the system -- that applies whether or not it’s a cooperative. … You could require that all or most workers be members, and that we keep to a certain size, but considering the competition that could put some co-ops in a tough spot.”89

Cooperation and Employee-Owned Businesses

One firm that was visited, but not included in the sample of worker cooperatives, is a taxi cab company that identifies as an employee-owned business, but not as a worker cooperative. Beginning with two dozen drivers joining under the Friendly and Provident Society business form in 1961, the mutual now has 365 members, as well as 20 non-member drivers and 23 non-member, non-unionized staff. One member described the

88 #23, 04/07/16
89 #13, 04/22/15
firm as an association of small business owners, each of whom owns their cab and coordinates with others through the mutual.

Unlike the cooperatives surveyed, the mutual does not have an asset lock, meaning that the mutual can wind down and sell its assets on a vote of 75% of the membership. Annual meetings attract 65-70% of the membership, where discussions take place on how to improve service and votes are taken on rule changes. The board is elected from the membership every three years, and board members must remain part-time drivers. One driver, who is also a board member, said that the mutual character of the firm made making decisions an onerous process, as the membership had to be consulted on all major decisions. He speculated that the firm would be significantly more efficient if management was given more or total authority, however he thought it unlikely as the drivers jealously guarded their prerogative.

Until recently, the company faced very little competition, and drivers therefore had an incentive to limit the number of drivers in the mutual. Prices were relatively high, however drivers were well trained and could make a good living with reasonable hours. The mutual has maintained a close relationship with the city, through which community concerns can be expressed. However, three years ago, with the introduction of Uber to the city, everything changed. The ride-sharing (or more accurately, ridesourcing) company flooded the market with untrained drivers and severely undercut prices.

One member estimated that due to their lower prices, Uber drivers must work 12 hours a day to make the equivalent of 9 hours at the cab mutual. Such long days not only hurt drivers but also put the community at risk, he said. The member alleged that the

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90 #33, 09/12/17
91 #34, 09/12/17
city council has “turned a blind eye” to Uber. Combined with new environmental standards coming into force that mandate that drivers switch to less polluting vehicles over the next few years, the drivers are coming under increasing pressure to cut their losses and demutualize the firm.

The board member admitted that the present situation was partially the fault of the mutual, which by limiting the number of drivers and failing to adopt new technologies had opened up space for competition. However, Uber’s model was not the answer, he argued, as long as it is based on evading labor regulations, taxes, and health and safety standards. It is now up to the Supreme Court of the United Kingdom to rule on whether Uber is required to treat its drivers as employees, a decision that will be fateful for this and other British taxi mutuals.

Taxi mutuals and worker cooperatives are both part of the employee-owned business family -- as are ESOPs and trusts (see Appendix A) -- and the cooperative members interviewed for this study welcomed these other models. These businesses share many challenges, such as competition with companies like Uber that have little connection to workers or communities. They are therefore all similarly under pressure to employ non-owner, non-unionized workers to cut costs and support owner workers.
Chapter 5: Reclaiming the Commons

The cooperative movement has been, in part, a movement for the reclamation of the commons -- cultural and natural resources owned and governed in common by those who use them -- an institution that was widespread before European industrialization and colonization (see, Ostrom, 1990). Law crafted by elites, including legal doctrine elaborated by judges, has been instrumental in legitimizing the concept of private property and the privatization of the commons: just as the Inclosure Acts deprived English peasants of their common land, in the US the Dawes Severalty Act of 1887 compelled Native American tribes to privatize and break up common land into individual plots, leading to profound cultural disruption (National Archives, 2018). The Act, with bitter irony, capped off centuries of large-scale dispossession with the forced institutionalization of the concept of possession.

The cooperative movement has been comprised of both the top-down projects of social reformers and bottom-up initiatives of working class people in response to the failings of the capitalist order. Cooperative law developed alongside corporate law as the cooperative movement worked to secure official recognition of the cooperative form while maintaining its distinctive identity. As cooperatives spread globally, they assumed a diversity of forms, cultures, and relationships with the state: as developmentalist arms of colonial powers, some cooperatives reproduced racial and class hierarchies; as radical collectives, others created egalitarian and democratic living, working, and social spaces.

As the cooperative members interviewed for this study spoke about their workplace and about their relationships with other members, it became evident that
working together on the basis of equality -- without pay grades or fear of the boss -- had for them become commonsense and natural. Members were often reminded that the way they run their business is not usual: when, for example, a customer or prospective supplier would ask to speak to a manager or to the owner. One member said that, in such situations, she was more than happy to explain that all members are both managers and owners, as well as workers. These interactions were an opportunity to spread the word about a way of working that many had never considered before.

I began this study with the aim of investigating how cooperatives operate in an economic and legal environment designed around investor-owned firms and the employment relationship, and exploring how members think about their status as worker, owner, and manager. I first became interested in cooperatives after joining a food consumer cooperative, which employed full-time staff but also required members to work several hours a month. I was impressed that the cooperative appeared to be doing very well (having expanded many times over several decades) while maintaining a remarkably flat management structure and involving thousands of members in its operation and decision-making.

What left the greatest impression on me, however, was a debate the cooperative held, attended by hundreds of members and followed by a vote, on whether the cooperative would continue to sell several products made in Israeli settlements. What was formerly obscured became suddenly obvious: that food, and what we buy, is profoundly political, and that communities are capable of debating policy and making decisions in a
radically democratic, direct, local, and participatory way -- in venues other than those prescribed by the state\textsuperscript{92}.

Over the course of this study, I discovered that worker cooperatives, while sharing support networks and some basic values with consumer cooperatives, fundamentally differ from them in the way they structure productive relations. This has profound implications for the exercise of democracy in the workplace, worker empowerment, and ultimately the equalization of wealth and power both within firms and throughout society.

A great diversity of worker cooperatives exist, however, some operating much like conventional firms or partnerships, some deeply embedded in political networks\textsuperscript{93}, and others that have developed vibrant democratic organizational cultures. Where workers have been able to develop cooperatives with some autonomy from the state, worker ownership has been a means to prioritize members’ needs over those of owners and investors. However, British worker cooperative members’ commitment to common ownership, participatory, democratic management, and solidarity with other cooperatives goes far beyond mere self-help.

I argue that the workplace relations at British worker cooperatives, together with the rules that structure them and values that shape them, constitute a unique and radical political, economic, and legal form and consciousness that challenges, and offers a potentially viable alternative to, the liberal-capitalist regime. By socializing capital at the

\textsuperscript{92} In case you are curious, the result of the vote, by a thin margin, was to continue to sell these products.

\textsuperscript{93} See, for example, Zhao and Develtere, 2010, arguing that Chinese cooperative development must be understood in the context of strong state intervention and the transition from the commune system to market-friendly policies in the 1980s; and Atwood, 1989, finding that cooperative sugar factories in western India in the late 1980s were “rife with political competition and factionalism (7)” because local leaders’ political careers depended on cooperatives’ success, and arguing that this was not necessarily a bad thing.
level of the firm and radically democratizing the workplace, these cooperatives challenge the institution of private property, the employment relationship, and the conceptual separation between the public and private spheres. As political economists have long observed, the viability of democratically-run, worker-owned cooperatives -- even under suboptimal economic, legal, and political conditions -- evidences the promise of these organizations for extending equality and democracy past their current political limits.

At the same time, cooperatives’ achievements and promise are threatened by strong pressures to relax standards -- especially to employ non-members, seek investor capital, and centralize management -- in order to remain competitive and provide members with good wages and working conditions, with the effect of weakening the cooperatives’ egalitarian and participatory culture and empowering management over workers. The fate of the British worker cooperative model is therefore tied to that of other movements for social and economic equality, with which the cooperative movement has historically had some disconnect.

**Cooperative Legal Consciousness**

This study contributes to Law and Society literature that explores legal consciousness, or how people without formal legal training make sense of and make use of legal concepts in their daily lives. While studies of legal consciousness are normally centered on people’s interactions with legal professionals and the state (e.g. courts and law enforcement), this study focuses on one of many systems of rules, obligations, governance, and conflict resolution that exist alongside the formal legal system.
Interpreted and elaborated in worker cooperatives’ rules, the cooperative principles form the backbone of a cooperative legal regime that aims to go beyond the formal political equality of “one member, one vote” to promote actual material and social equality among members. Members’ active participation in the construction, interpretation, and enforcement of the rules and policies of their cooperative effectively unifies the ‘law’ and the ‘politics’ of the cooperative. This radical democratization and demystification of political and legal authority constitutes an alternative, cooperative legal consciousness.

As we saw in chapter four, members recognized that, as owners and workers at a nontraditional firm, their legal status was a unique one. Yet, aside from several members who had a particular interest in the subject of cooperative law, members were not especially well acquainted with the specifics of the law, and their cooperatives generally relied on legal advice provided by Co-operatives UK when the need arose. In fact, members reported very few instances when their cooperative or a member interacted with legal or regulatory systems, aside from registration. Members moreover did not call the cooperative principles or their cooperative’s rules “law,” and they did not refer to their cooperative’s decision-making or dispute resolution as legal processes. How then can these members be said to hold one or another legal consciousness?

While members did not speak about their cooperatives in strictly legal terms, their experiences as cooperative members nevertheless informed their understanding of myriad legal constructions, including of the firm, property, employment, and democratic rights. Working cooperatively forced members to reevaluate their taken-for-granted
understandings of the normal way of doing things, and to question the assumptions and 
logic underlying the liberal legal and economic order.

For example, when considering their rights as workers and their responsibilities to 
their coworkers, members primarily referenced cooperative principles and the rules of 
their cooperative, not labor or business law. These principles and rules had become the 
chief reference for concepts that, for many members, had previously been defined in 
large part by the liberal legal regime. Members may not have been trained in business 
law; however, as active participants in the decision-making processes of their 
cooperatives, they were intimately familiar with their cooperative’s rules, policies, and 
governance processes -- that is, informal cooperative law.

The legal consciousness cultivated by these members radically redefines the 
relationship between workers and the firm, mooting conventional legal conceptions of 
property, political rights, and employment relations. The institution of common property 
(through indivisible reserves and an asset lock), policies of equal wages and job rotation, 
and culture of participative decision-making all work to equalize power and to transform 
social relations. Members’ strong support for these policies, as shown in chapter four, 
suggests that they have come to embrace a way of thinking about workplace relations that 
is at odds with individualistic concepts of property rights, with the liberal tenet that the 
labor market sets wages efficiently and justly, and with the tendency to overspecialize 
workers.

This cooperative legal consciousness, then, challenges the separation of law and 
politics under liberal legalism. Members’ commitment to direct, participative democracy 
in decision-making and support for accountable, cooperative regulatory and mediation
institutions indicate a rejection of what Tomlins calls the “filtered democracy (1993, 26)” of liberalism, and to what Klare describes as the “radical separation of morals, politics, and personality from judicial action (1977-1978, 292).” While members valued expert legal advice, they were at the same time wary of allowing any group of elites to claim authority over the management of the cooperative or the direction of the movement.

In promoting the values of mutuality and solidarity, the British cooperative movement challenges the emphasis in both liberal and conservative ideologies on self-interest, competition, and conflict. Rather than ignore conflict, however, cooperatives attempt to align interests (between workers, owners, customers, etc.) and channel inevitable conflict into democratic, shared institutions. Coworkers are no longer competitors coveting the same promotion, socially segregated by rank and commanding different levels of respect, deference, job security, and remuneration, but are instead teammates working toward a common goal: the improvement of working conditions and wages for all. As noted in chapter three, members credited this dynamic with improving not only working conditions but also interpersonal relationships, and with promoting a more fair and just workplace.

Finally, in instituting common property, these cooperatives challenge the individualistic liberal conception of property. Cooperation depends on a concept of property that recognizes wealth as fundamentally socially produced, and therefore rejects private property in favor of common ownership. Under common property relations, personal property (wages) are distinguished from common property (asset locked, indivisible reserves), with the understanding that not all property is the same -- that the
property that sustains collective economic activity (and thus livelihoods) should be owned and controlled by those it most impacts.

**Cooperation and Class Consciousness**

In his study of the development of law in agrarian England at the dawn of capitalist social relations, E.P. Thompson observes that “the rhetoric of eighteenth-century England is saturated with the notion of law (Thompson, 1975, 263);” the daily life of eighteenth-century English farmers took place “within visible and invisible structures of law” -- indeed law was “deeply imbricated within the very basis of productive relations, which would have been inoperable without this law (Thompson, 1975, 263).”

Thompson insists that law cannot be reduced to an instrument of the ruling class, nor should it be seen as somehow secondary to or derivative of material relations. For Thompson, “the relationships within which productive activity takes place are constituted by legal relations;” moreover, “the presence of legal elements within the constitution of productive relations has distinctive consequences for the way in which those relations are lived out and struggled over (Hunt, 1986, 38).” While law was very much tilted in favor of aristocrats and budding capitalists, it also placed limits on arbitrary power and “afforded an arena for class struggle, within which alternative notions of law were fought out (Thompson, 1995, 130).”

In *The Making of the English Working Class*, Thompson examines the formation of a new class consciousness among working people in England the mid-1800s, and the centrality of Owenite ideas to it. He insists that it was the material interests of groups of
working class people, not the ideas of Robert Owen, that drove this process; however those ideas, he argues, in their broad applicability, facilitated disparate groups joining together under the organizational forms of cooperativism and unionism:

“From the writings of the Owenites, artisans, weavers and skilled workers selected those parts which most closely related to their own predicament and modified them through discussion and practice ...the artisans, with their dreams of short-circuiting the market-economy: the skilled workers, with their thrust towards general unionism: the philanthropic gentry, with their desire for a rational, planned society; the poor, with their dream of land or of Zion: the weavers, with their hopes of self-employment: and all of these, with their image of an equitable brotherly community, in which mutual aid would replace aggression and competition (Thompson, 1963, 806).”

Owenism would be eclipsed by a more revolutionary-minded class consciousness following the publication of The Communist Manifesto. Yet Owenism had laid critical groundwork, having taught a formative generation of working class activists “to see capitalism, not as a collection of discrete events, but as a system.” They learned “to project an alternative, utopian system of mutuality” and “to assert new claims for the rights of women;” they gained “an understanding of the importance of education, and of the force of environmental conditioning;” there was “a consciousness of the identity of the interests of the working class, or ‘productive classes’, as against those of other classes; and within this there was maturing the claim for an alternative system.” Henceforward, “nothing in capitalist society seemed given and inevitable, the product of ‘natural’ law (Thompson, 1963, 807).”

The findings of this study confirm Thompson’s observations: that working cooperatively can profoundly change how people think about what economic relations are possible and desirable, and that the law remains an important site of contestation over alternative notions of these relations.
Cooperative Law

Cooperative law varies considerably around the world; however, the principles and values developed first by the Rochdale Pioneers and subsequently by the International Cooperative Alliance (ICA) remain the tie that binds cooperatives. As noted in chapter two, commentators have described British cooperative law as liberal, flexible, and underdeveloped. Unlike cooperatives in a number of countries, those in the UK do not enjoy preferential tax treatment, are not registered, regulated, or audited by a specialized cooperative body, cannot appeal regulation or registration decisions to the courts, and have only recently attained a distinct legal form. This has not, however, prevented the cooperative movement from developing its own standards, rules, and institutions.

Co-operatives UK publishes model rules, provides legal advice and services to members, and lobbies government on legal reform. The Financial Conduct Authority (FCA) largely use ICA and Co-operatives UK guidelines as their own. As one member reported, due to the FCA’s limited resources and lack of interest in cooperatives, identifying fake cooperatives and cooperatives that are falling short of cooperative standards has effectively fallen to cooperative members and networks.

The British cooperative movement has taken a unique approach to legal mobilization; rather than challenge employers and attempt to regulate firms through the legal system, the movement has instead developed an alternative system of rules and governance based on the cooperative principles. While the movement has from early on employed conventional political and legal strategies, such as proposing legislation and lobbying parliament, much of the development of the cooperative form has taken place
through cooperative, and not state, institutions. Within the British cooperative movement, worker cooperatives have innovated a special set of rules and standards that, while not mandatory, are recommended to new worker cooperatives and were adopted by all of the worker cooperatives included in this study (see Appendix B). These rules and standards function as a kind of informal law, a legal regime within a legal regime (part of what Beatrice Webb called the cooperative “state within a state”).

While the rules and policies of firms are not considered law because they are not promulgated by state institutions, they can nevertheless affect workers as much as law can, if not more so. Like law, cooperative principles and rules carry symbolic meaning and authoritative weight and guide decision-making; rules and standards are developed through democratic institutions, codified, and enforced through formal and informal mechanisms, from peer pressure to disciplinary action, to expulsion.

As William L.F. Felstiner, Richard L. Abel, and Austin Sarat have documented, formal litigation -- and even informal mediation -- represents only a tiny fraction of disputes; indeed, whether harms even become disputes depends on how individuals and groups identify harms, and whether those identified harms are then transformed into grievances (Felstiner, Abel, and Sarat, 1980 - 1981). It follows that legal liberalism’s commitment to formal legal equality may in fact function to amplify inequality if it advantages those who tend to transform injuries into disputes and neglects those who do not do so (Felstiner, Abel, and Sarat, 1980 - 1981, 637). Access to justice, argue Felstiner et. al., requires not only time and money, but ideological resources that some groups are systematically socialized into over others. The study of dispute antecedents is therefore critical for contextualizing the legal system and its impact on what falls outside of it.
In her research on dispute resolution in the workplace, Elizabeth A. Hoffmann finds that the egalitarian ideology and organizational structures of worker cooperatives facilitate greater resolution of problems and more informal resolution when compared to conventional, hierarchical workplaces (Hoffmann, 2001; Hoffmann, 2003). However even at formally egalitarian workplaces, informal power dynamics among workers can influence the way they handle disputes. Hoffman finds that at one worker cooperative, men and women experienced procedural justice and dispute resolution differently, with male members making greater use of informal dispute resolution, and female members feeling empowered by cooperative values to make use of formal grievance procedures (Hoffmann, 2005). These findings suggest that the distribution of power at workplaces between groups such as owners and employees or women and men can affect workers’ understandings of their rights and the tools available to them to seek procedural justice.

Among cooperative members and scholars, discussion of law centers around preserving the cooperative identity and ensuring cooperatives are not disadvantaged in areas such as tax and business regulation. Cooperative scholars, associations, and members agree that it is important for cooperatives to be formally integrated into the legal system with their own legal identity, in order to reduce uncertainty about their legal status. Yet, whereas scholars and organizations normally emphasize the need for flexibility in defining and regulating cooperatives, members at British worker cooperatives worried about relaxing standards.

The success of cooperatives both in countries with extensive cooperative law, such as Italy, and in those without, such as Denmark, suggests that while the formal legal regime is likely important -- especially as it can disadvantage cooperatives -- other
factors, such as the political and economic environment and strength of cooperative networks, may be even more consequential. The formal legal regime should therefore be seen as one factor among many affecting cooperatives.

Indeed, too great a focus on legal status and on formal definitions of cooperatives can distract from qualitative assessments of organizations’ adherence to cooperative principles. As Peter Somerville has observed, some organizations that do not identify as cooperatives and whose activities are not strictly economic, such as community organizations and housing associations, may in practice apply cooperative values to a greater degree than some cooperatives (2007).

**Formal and Informal Law**

Work is structured by law -- labor, contract, property, and other areas of law. However, this law carves out a space in which owners and managers exercise a great deal of authority to set policy and to make rules -- to, in effect, set up an informal, private system of governance in which the democratic rights and civil liberties of workers are limited for a large part of their day. Owners thus maintain their class position both through their influence over formal political and legal processes, as well as through the creation and expansion of this informal, private sphere.

In liberal ideology, the governance of the polity is held to a different standard than the governance of the firm; while liberal theorists assume that citizens would never voluntarily agree to unequal civil rights and liberties as terms of the social contract, they do assume that workers generally agree to the unequal terms of the employment contract.

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94 Control over workers’ time and behavior often extends past the workday, when for example employers expect employees to respond to emails and to maintain an acceptable public profile on social media.
In reality most citizens and workers exert little influence over the terms of either. While some workplaces may have relatively worker-friendly organizational cultures, this relationship remains paternalistic and tenuous as long as workers have little actual say or control over their work, and little job security. Unions can help workers bargain for better wages and conditions; however, they do not fundamentally challenge managers’ authority in the workplace or owners’ rights as residual claimants of the firm’s profits.

By introducing democratic governance into the firm, British worker cooperatives undermine the liberal public-private distinction. Taking lessons from liberal democracies in which citizens have lost control to owners, and conventional firms in which owners have lost control to managers, British worker cooperatives work to limit undue outside (monied) and internal (expert) influence, formal and informal hierarchies, and wealth inequality among members, with the institutionalization of common property, equal wages, job rotation, and participatory decision-making. British worker cooperatives therefore differ from large cooperatives with centralized management and large numbers of non-members (such as Mondragon (see Appendix A)) and from cooperatives that operate more like partnerships (such as the plywood cooperatives of the Pacific northwest) in their commitment to substantive democracy.

95 A typical Chicago School defense of the laissez-faire employment relationship goes like this: “If employees were disadvantaged by their allegedly weak bargaining power in labour markets, there are many other ways in which they could supply their labour to productive activities (for example, self-employment, independent contracting, labour hire companies, or workers’ cooperatives). The fact that individual employment contracts have remained the dominant arrangement for over two centuries is compelling evidence that they deliver greater net benefits for most workers than any of these alternatives (Hogbin, 2006).” This line of reasoning ignores the fact that many workers lack the time, information, or resources necessary to take advantage of these alternatives.

96 Some other cooperatives raise capital through investor members who do not have a vote but can nevertheless influence decision-making.
Pressures and Cooptation

As shown in chapter two, research finding better economic performance and higher worker satisfaction at cooperatives compared to similar conventional firms suggests that cooperatives can compete with these firms while maintaining their cooperative identity. Although economic indicators were not collected for this study, several of the cooperatives had been in business for many decades and the two largest had grown steadily during that time. Respondents at these cooperatives saw their cooperatives as both economically successful as having cultivated a vibrant cooperative culture.

Yet, perhaps the most significant finding of this study is that many respondents, especially those at the larger cooperatives, associated the imperative to grow their business with the threat of losing their cooperative identity. The examples of the John Lewis Partnership and Mondragon (see Appendix A) suggest that large employee-owned businesses are susceptible to pressures to expand, employ an increasing proportion of non-members, delegate authority to management, and increase pay differentials among members. As discussed in chapter four, members at the largest cooperatives confirm that their cooperatives have been susceptible to these pressures as well.

One longtime member at the largest cooperative praised Mondragon’s management structure, and said he was confident that cooperatives could maintain their democratic character while scaling up with innovative, cooperative management techniques. Others were not so confident. One idea popular with respondents was for additional growth to be channeled to new, allied but independent cooperatives in new locations. Such a policy could help to keep cooperatives from growing too large for
participatory management to work well. There was also widespread support among members for limits on pay ratios and on employing non-member workers.

In response to the competitive pressures cooperatives face, some cooperative scholars and organizations recommend that the movement adopt a depoliticized, “flexible” version of cooperation. Antonio Fici for example argues that a “strictly legal analysis” of cooperatives, rather than an “ideological approach,” can best contribute to the promotion of cooperatives (Fici, 2013, 5). In this view, cooperatives should be presented as a business form that, while exhibiting certain beneficial economic and social effects, is otherwise like any other business. Fici is convinced that presenting cooperatives as an ideological or political project, while initially perhaps necessary, “may now be detrimental to the continued growth of cooperatives (Fici, 2013, 6).” Alternatively, the “normalization” of the cooperative form would facilitate comparative cost-benefit analyses with other business forms, and allow advocates to present their rationale in these terms.

Large cooperative organizations like the ICA and Co-operatives UK are careful in their published materials and public statements to refrain from explicitly taking political positions or criticizing capitalist relations in strong terms. Cooperatives are instead typically pitched as one of many forms of organization in an ideally mixed economy, alongside joint stock companies, charities, social businesses, and the public sector. Co-operatives UK has gone further than the ICA in appealing for a broad definition of cooperation and for flexible standards, particularly in regards to raising capital from nonmembers. Some commentators favor individual accounts for members over
indivisible reserves (Ellerman, 1993), and even recommend dropping cooperative commitments to education, solidarity, and community (Reynolds, 2014).

Framing cooperatives as a non-threatening, market-friendly business form, stripping the cooperative movement of its ideological character, and relaxing cooperative standards may indeed make cooperatives more attractive to liberal organizations and policymakers -- but at the cost of weakening the beneficial economic and social effects that made the form appealing to reformers in the first place. For members of British worker cooperatives, the promise of cooperatives lies precisely in their ideological character -- that is, in their capacity for changing the way people think about workplace relationships.

As we saw in chapter four, members voiced a diversity of political identifications, which suggests that thinking cooperatively does not require members to identify with any particular political movement or label. Indeed, placing members on a two-dimensional left-right spectrum would fail to capture the complex and unique politicization that working at a worker cooperative entails. While few members identified as politically radical, on the subject of work all members held radically democratic and egalitarian beliefs. Cooperative education was essential for retraining members accustomed to hierarchical workplace relations, yet it took time working at and being involved in running the cooperative for members to revise old habits and long-held assumptions about work. Cooperation is thus a powerful example of politicization through experience and action.

That cooperation is such a big tent has been both a strength and weakness of the movement. Indeed, members of producer, consumer, financial, and worker cooperatives
can have very different interests. Producer cooperatives are often little more than associations of private owners that employ non-members like any other conventional firm. Consumer cooperatives, likewise, are not necessarily any more supportive of unionization or other forms of worker representation than other firms; and cooperatives with large, dispersed memberships often do not have the same culture of participatory, democratic management that many smaller cooperatives do. These cooperatives can nevertheless be allies of worker cooperatives. Through their funding of cooperative organizations, they often help to finance worker cooperative startups. And all cooperatives, to the extent they limit investor ownership and control of the firm, help to reduce wealth and power inequality throughout society.

97 For example, Organic Valley, the largest farmer-owned organic cooperative in the US, with sales of over $1 billion, is comprised of around 2,000 farmer-owners -- however this doesn’t include the over 900 employees of those farmers, who have no say in the cooperative or on their working conditions (Organic Valley, 2016).

98 The case of a Pittsburgh food cooperative, the East End Food Co-op, is illustrative: After four attempts at unionization, workers voted to form a union in 2015 with an 80 percent majority. Past attempts had been stymied by the board and management, which members has accused of fostering a corporate culture with the implementation of new rules and policies; the success of the final attempt was put down to organizing in secret (Deto, 2015).

99 For example, The Cooperative Group, a large British consumer cooperative, is owned by 4 million members and employs 70,000 workers. These employees (called “colleagues”) do not exercise any special ownership or control beyond that of customers, and the vast majority of members do not participate in governance.
Chapter 6: Cooperatives in Theory and Practice

In this final section I further explore the implications of cooperative values and the worker cooperative form for social, political, and economic change. Leading political economists and theorists of the late 19th and early 20th centuries recognized the revolutionary potential of worker cooperatives, believing them to be indispensable for transitioning to a post-capitalist economy. Why then have they yet to play this historic, transformational role?

To conclude, I discuss theories of profit and of the firm, and critique the individualistic conception and form of cooperation. I argue instead that a communitarian cooperation, as practiced by British worker cooperatives, points toward a theory of the firm in which all who use a business, or are substantially affected by it, are entitled to participate in its democratic management.

Cooperation and Socialism

Looking back to early socialist reformers, Friedrich Engels identified Robert Owen as “one of the few born leaders of men,” a name to which “every social movement, every real advance in England on behalf of the workers links itself (Engels, 2006, 42).” What most impressed Engels about Owen was that he had left the comfortable world of philanthropy behind to openly critique and challenge the prevailing order, losing “his whole social position” as a consequence. Although Owen’s communal experiments ultimately failed, Engels believed that his greatest achievement lay in definitively “giving practical proof that the merchant and manufacturer are socially quite unnecessary (Engels, 2006, 42).”
Owen’s efforts suffered from the same inadequacies that bedeviled other ‘utopian socialists’ of his time, according to Engels. He saw these early socialists as heirs to the Enlightenment’s faith in the ability of reason to transform societies plagued by the irrationalities of superstition, injustice, privilege, and oppression. In the utopians’ estimation, all that was needed to bring about a better society was for enlightened men such as themselves to educate the masses and disabuse them of their backwardness.

What utopian socialism lacked, Engels argues, was a social scientific explanation of the material processes at work throughout human history. While early socialist reformers “certainly criticized the existing capitalistic mode of production and its consequences,” they “could not explain them, and therefore could not master them (Engels, 2006, 52).” As capitalism remained in its infancy at the time, its nature could not possibly have been fully grasped. Indeed “the great thinkers of the 18th century could, no more than their predecessors, go beyond the limits imposed upon them by their epoch (Engels, 2006, 32).” It was not until the lifetime of Engels’ collaborator Karl Marx that material conditions had developed sufficiently for political theory to advance.

With the establishment of scientific socialism, Marx’s major contribution was twofold: first was his elaboration of a materialist conception of history, in which society’s political, social, and religious institutions and consciousness are determined by the relations of production (i.e. the economic system) prevalent at a given stage of human history. Marx famously “stood Hegel on his head,” in arguing that “it is not the consciousness of men that determines their existence, but their social existence that determines their consciousness (Marx, 1859).”
Marx’s second major contribution was to show the “appropriation of unpaid labor” to be “the basis for the capitalist mode of production and the exploitation of the worker that occurs under it (Engels, 2006, 52).” By extracting more value from workers than they are compensated for, capitalists capture surplus value and increase the wealth and power of their class. This economic dynamic had led in the course of time to the formation of two largely distinct and fundamentally opposed social classes, workers and owners. Legal and social custom served to reproduce the two classes and their relationship to one another, principally through the innovation, legislation, and normalization of the concepts of private property and the employment contract, but also through the regulation of the family and sexual conduct, gender and racial codes, and education and housing policies (Brown, 2012).

Marx and Engels argued that the theory of historical materialism was demonstrated by the sequence of events that unfolded in England from the early to mid-nineteenth century, when the spread of wage labor met with increasing resistance from the growing working class and led to a contest over the shaping of ideology and political institutions. They credited the Chartists with exposing underlying class conflict, bringing the workings of capitalist social and economic processes to light, and paving the way for their own theorization of the newly dominant political economy. What moves history is therefore not the insights of intellectuals, nor the doctrines of priests, but class struggle over material relations, manifested through politics and culture (Engels, 2006, 50).

Marx and Engels agreed that what the cooperative movement had accomplished was to provide definitive proof that capitalist, hierarchical ideology and social organization were by no means natural or necessary. “The value of these great social
experiments cannot be overrated,” Marx wrote of cooperatives. “By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands (Inaugural Address of the Working Men’s Association, 1869).”

Cooperatives have nevertheless not figured prominently in Marxist theory and writings (Jossa, 2005, 3-18). Marx and Engels themselves refer to cooperatives only a handful of times, appearing to have been considerably more interested in developments around trade unions (see, Lapides, 1987). One scholar suggests that after many producer cooperatives failed in the 1870s, Marx and Engels and their adherents may have lost faith in the ability of the movement to play a major role in the transition to socialism (Jossa, 2005, 3-18).

Yet as late as 1886, Engels proposed that factories be managed cooperatively based on the model of the Paris Commune, and confirmed that neither Marx nor himself had “ever doubted that, in the course of the transition to a wholly communist economy, widespread use would have to be made of cooperative management as an intermediate stage (Jossa, 2005, 15).” Nonetheless, likely more well-known to Marxists is an earlier description by Marx and Engels in the Communist Manifesto of Owenite cooperators as “conservative or bourgeois members of a reactionary sect,” who, in holding on to Owen’s utopian views, effectively endeavored “to deaden the class struggle and to reconcile the class antagonisms (Marx and Engels, 1848).”

Owing to the growth of the movement in the early twentieth century, cooperatives did however figure in socialist debates of the period. Reporting from the International
Socialist Congress in Copenhagen in 1910, Vladimir Lenin, who was there representing the Russian Social Democratic Party, described the split between the Belgian and French delegations on the role of cooperatives in the socialist movement. The Belgians, who “warned against seeing cooperatives as something self-sufficient,” expressed a desire for closer ties between the socialist parties and cooperative societies; the French, lead by Jean Jaurès, instead presented cooperatives as an alternative to class struggle and argued for their political neutrality\(^{100}\) (Lenin, 1974, 275-283). Lenin of course sided with the Belgians, and a compromise statement of support for cooperatives was eventually ratified.

By 1923, as leader of the Soviet Union, Lenin was advocating that the Soviet state grant economic, financial, and banking privileges to cooperatives, which he hoped to be the basic institution of what he termed “state socialism (Lenin, 1965, 467-75).” Initiated a year before, Lenin’s New Economic Policy had liberalized many sectors of the Soviet economy with an aim to incentivize production and industrialize the nation. In a newspaper editorial, Lenin claimed that the policy had found the ideal degree “of private commercial interest, with state supervision and control of this interest” to bring about socialism -- still decades away, at best -- and argued that all that remained was to “organize the population of Russia in cooperative societies on a sufficiently large-scale… to build a complete socialist society out of cooperatives.” Lenin recognized that cooperatives were only as good as their context: he explains that while in the capitalist

\(^{100}\) In view of Lenin’s bias in the matter, it is probably wise to not take his reporting of the opposition’s stance entirely at face value.
state cooperatives are “no doubt collective capitalist institutions,” in a socialist state the “growth of cooperation is identical with the growth of socialism (Lenin, 965, 467-75)\textsuperscript{101}”

\textbf{Cooperation and Competition}

Cooperatives hold appeal not only for revolutionaries but for reformists as well. John Stuart Mill shared Marx and Engels’ high regard for cooperatives, even if he likewise devoted relatively little space to them in his writing. In fact, only in the later editions of \textit{Principles of Political Economy}, which has been called “the dominant text in economic thought at the high point of Victorian liberalism (Betts, 2016, 153),” did Mill include a chapter on cooperatives. Entitled “On the Probable Futurity of the Labouring Classes,” the chapter predicted the end of wage labor and its replacement by cooperative production, evidencing Mill’s warming up, at the end of his career, to reformist socialist ideas.

Mill was impressed with the efficiencies cooperatives exhibited, such as their tendency to cut out middlemen and to increase the productivity of workers, who as owners shared a greater interest in the success of their firm than did employees. Yet, while Mill found it “scarcely possible to state too highly [the] material benefit” of cooperation, that benefit was for him “nothing compared to the moral revolution in society” that a cooperative economy would bring about (Mill, 1909):

“the healing of the standing feud between capital and labour; the transformation of human life, from a conflict of classes struggling for opposite interests, to a

\textsuperscript{101} Following Lenin’s death, the New Economic Policy was abandoned in favor of central planning and agricultural collectivization, however cooperatives remained a small but significant part of the Soviet economy. A 1957 report put the number of cooperative workers at over 1 million, describing the producers cooperative movement as “a quasi-autonomous refuge for private enterprise in Soviet society which is tolerated as a valuable source of goods, services, and labor at relatively low cost (Leedy, 1957).”
friendly rivalry in the pursuit of a good common to all; the elevation of the dignity of labour; a new sense of security and independence in the labouring class; and the conversion of each human being's daily occupation into a school of the social sympathies and the practical intelligence (Mill, 1909).”

Mill saw cooperatives as perfectly suited to restricting competition of labor while promoting competition for labor. He endorsed cooperatives as an institution that would abolish one facet of capitalism -- the “parasitic” capitalist class -- in order to augment another: vigorous competition between firms, now owned and managed by workers. This was important for Mill because for him it was obvious that the preponderance of the improvements of the industrial age could be attributed chiefly to robust competition. And though he admits that competition may not be “the best conceivable stimulus” for work, he believed that at the time, and for the foreseeable future, it was a necessary one. The only alternative to competition would be private or state monopoly, both of which are essentially “taxation of the industrious for the support of indolence, if not of plunder (Mill, 1909, IV 7.63).”

Indeed, Mill believed it was the common error of socialists to “overlook the natural indolence of mankind; their tendency to be passive, to be the slaves of habit, to persist indefinitely in a course once chosen.” Once individuals reach a “tolerable state of existence,” they will cease to exert themselves to improve, and will “slowly deteriorate.” Mill goes so far as to argue that therefore “every restriction of [competition] is an evil, and every extension of it, even if for the time injuriously affecting some class of labourers, is always an ultimate good (Mill, 1909, IV.7.64).”

Mill’s brand of reformism thus agrees with more radical strands of socialism on two critical points: that capitalist owners are unnecessary, but that competition is -- at
least until society attains a sufficient level of material wealth and cultural development. However, whereas socialists like Lenin sought to harness competition so that it might ultimately be obviated, Mill, given his less charitable view of human nature, understood competition to be a good in itself, indispensable for motivating workers to improve their material condition.

**Reformism and Revolution**

Where Mill and revolutionary socialists parted ways most substantially was in their understanding of the process and possibilities of social transformation. Supposing that the economic and cultural conditions necessary to sustain socialism were a very long way off (if attainable at all), Mill saw little use in advocating sudden or violent social change. Indeed, Mill was optimistic that cooperatives could bring that change about gradually and peacefully.

Convinced that, due to their efficiencies, cooperatives would naturally multiply to a point where virtually no worker would any longer consent to wage labor, Mill reasoned that owners of capital would then “gradually find it to their advantage, instead of maintaining the struggle of the old system… to lend their capital to the [cooperatives],” eventually exchanging their capital for annuities. “In this or some such mode, the existing accumulations of capital might honestly, and by a kind of spontaneous process, become in the end the joint property of all who participate in their productive employment.” Under this admittedly best-case scenario we might realize, “without violence or spoliation, or even any sudden disturbance of existing habits and expectations, …the best aspirations of the democratic spirit (Mill, 1909, IV 7.62).”
For revolutionary socialists, any such scenario was pure fantasy. In 1919, in the midst of the Russian Civil War, Lenin reminded the First Congress of the Communist International that “history teaches us that no oppressed class ever did, or could, achieve power without going through a period of dictatorship, i.e., the conquest of political power and forcible suppression of the resistance always offered by the exploiters (Lenin, 1919).” Indeed for Lenin, under capitalism, not only did regular imperialist wars pit workers against one another in the interests of national capitalist classes; meanwhile there existed a state of continuous, “peaceful” war waged by owners on workers and by colonial states on their subjects (Lenin, 1917, p. 340). To believe that something like the marginal efficiencies of cooperatives could, without struggle, bring an end to oligopoly and capitalist control of the state seemed delusional at best.

Lenin distinguished between two strands of policy on cooperatives: that of proletarian class struggle, which recognizes “the value of the cooperative societies as a weapon in this struggle,” and that of the petit-bourgeois, “obscuring the role of the cooperative societies in the class struggle” and “attaching to the cooperative societies an importance transcending this struggle (Lenin, 1974).” This petit-bourgeois strand, Lenin argued, “confused the proletarian and the proprietors’ views of cooperatives” -- the former seeing cooperatives as a means for transcending the status quo, and the latter seeing them as a means of ameliorating conditions just enough to ward off greater change (Lenin, 1974).

Therefore, for Lenin the difference between socialist cooperation and cooperative socialism was more than one of mere emphasis, it was the difference between cooperatives serving the cause of revolutionary reform, or the cause of liberal reformism.
Lenin saw reformism as not only ultimately futile, but as playing directly into the hands of the capitalist class -- it was, everywhere and always, “bourgeois deception of the workers,” who, despite seeing some improvements, “will always remain wage-slaves, as long as there is the domination of capital (Lenin, 1977).” Reformists try to “divert [workers] from the class struggle by petty concessions,” however “where capitalism continues to exist reform cannot be either enduring or far-reaching (Lenin, 1977).”

The “petty concessions” Lenin refers to likely include measures such as the 8-hour workday, safety regulations, and social insurance -- reforms that improve working conditions but do not significantly alter the employment relationship or the balance of power between the working and owning classes. Yet Lenin was not entirely opposed to such reforms, and he urged Marxists to “work tirelessly, not miss a single possibility of winning and using reforms” to “develop and broaden their class struggle” and “go beyond reformism (Lenin, 1977).” Lenin’s opposition was therefore not to the reforms themselves but to reformism as a political project.

Cooperatives present an interesting case because members, as owners of the means of production and the residual claimants of their firm’s profit, cannot be understood to be wage-slaves. In an entirely cooperative (and public) economy, capitalists and workers would not constitute separate classes -- all members of society would be workers and all would be capitalists. While individuals could not invest their capital in other firms, they could invest in their own, and would continue to work for wages, albeit set by themselves. Freed from the exploitation of the employment relationship, cooperative members nevertheless remain subject to the imperatives of the

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102 Aside from those who cannot work or choose not to, which is addressed below.
market. The cooperative economy thus resembles what Marx called “crude communism,”
the transition stage to a communist society in which:

“The category of the worker is not done away with, but extended to all men. The
community is only a community of labour, and equality of wages paid out by
communal capital -- by the community as the universal capitalist. Both sides of the
relationship are raised to an imagined universality -- labour as the category in
which every person is placed, and capital as the acknowledged universality and
power of the community (Marx, 1959, Italics in original).”

For Lenin, achieving even this less than optimal state was inconceivable so long
as the capitalist class remained in control of what he called “the commanding heights” of
the economy, including finance, heavy industry, communications, and transport (Moss,
2005). Assuming public ownership of these critical sectors would provide the foundation
on which a cooperative economy could be built in the interest of workers rather than
capital. From Lenin’s vantage, it was clear that the capitalist class would not accede to
the transfer of this control to workers without a fight.103

Profit

“The cause of profit,” Mill observes, echoing Marx, “is that labor produces more
than is required for its support (Mill, II.15.20).” Both Mill and Marx understood the
relationship between profit, competition, and the accumulation of capital to be the motor

103 Mill’s preference for reform might ultimately have had less to do with what reform promises,
and more to do with what he feared from revolution. “Too many socialists” he wrote, were
animated by “a very excusable hatred of existing evils,” which would: “...vent itself by putting an
end to the present system at all costs even to those who suffer by it, in the hope that out of chaos
would arise a better Kosmos, and in the impatience of desperation respecting any more gradual
improvement. They are unaware that chaos is the very most unfavorable position for setting out in
the construction of a Kosmos, and that many ages of conflict, violence, and tyrannical oppression
of the weak by the strong must intervene; they know not that they would plunge mankind into the
state of nature so forcibly described by Hobbes... where every man is enemy to every man (Mill,
1891)”]
of capitalism, and both recognized the tendency for capital to become concentrated in the hands of the few. However, whereas Marx saw this tendency as “an inevitable consequence… where private property prevails (Marx, 1959)\textsuperscript{104},” Mill was optimistic that it could be rectified by legislation, such as laws limiting inheritance (Mill, IV.6.7).

At the turn of the twentieth century, the American economist Jacob Hollander, interested in how successive schools of economic thought had theorized ownership and profit, traced the evolution of the legal concept of the residual claimant, the “party to production which claims the remnant of the product (i.e., the profit) once all other claimants have received their due amounts (Hollander, 1903)”. Hollander identifies four historical residual claimant of distribution theories, wherein rent, capital, labor, and entrepreneur’s profit have each respectively been treated by political economists as the essential factor in distribution.

Hollander argues that these theories are best understood as reflecting the economic conditions of their times, so that in mid-eighteenth century France, “a dominant landowning class and a rack-rented tenantry found theoretical expression in a rent-residual formula,” while by the early 19th century it was the capitalist employer who assumed whatever remained after the landlord and laborer received their predetermined, contractual amounts (Hollander, 1903, 270). Later, in the wake of the working class movements of the mid-1800s, political economists (including Marx and Mill) determined that labor was the crucial factor in the production of value (and was thus deserving of the residual); and by the end of the century, this focus on the worker gave way to the primacy of the entrepreneur -- a composite of capitalist and manager -- who in effect rented land,

\textsuperscript{104} Private property meaning the private ownership of the means of production, as opposed to personal property, i.e. property for personal use and consumption.
capital, and labor and assumed final responsibility for profits and liabilities. Hollander concludes that none of these theories of value and ownership was based, as their various proponents claimed, on any immutable, natural relationship, but instead mirrored and served to legitimate existing balances of power.

The worker cooperative form can thus be understood as means with which workers, by collectively owning the factors of production, are able to secure the rights to the residual or product of their labor. In doing so, a new theory of profit is born, alien to the popular consciousness and competing with the dominant theory of profit. Hollander’s analysis suggests that the success of cooperatives will depend less on their efficiency relative to conventional firms (i.e. their ability to beat capital-owned firms at their own game in a capitalist economy) than on workers’ general political and economic power relative to the other factors of production, namely privately-held capital.

**Ownership and Control of the Firm**

Firms -- chiefly joint-stock companies, but also partnerships, cooperatives, and other forms -- have become one of the central institutions of the modern economy, yet little consensus exists among economists on such basic questions as what the boundaries of the firm are, why firms are structured as they are (in regard to hierarchy, centralization, etc.), or even why they form in the first place (Hart, 2011). The relationship between ownership and control in firms is likewise far from straightforward, with conflict between management and shareholders increasingly common (see, Fama and Jensen, 1983, and Fluck, 1999).
Gregory Dow and Louis Putterman define “ownership of the firm” as representing “a bundle of rights including residual claims, control rights, and ownership of physical assets, along with the right to transfer this bundle of rights to someone else.” They note however that while this bundling at the conceptual level does reflect the typical case, it is also often true that important elements of the bundle are separated. For example, in employee stock ownership plans in the US (see Appendix A), workers often hold large residual claims but without any meaningful control rights because they do not vote their own shares (Dow, 2000).

Dow and Putterman survey empirical and theoretical explanations for why workers are normally hired by the owners of assets and providers of financial resources, rather than workers organizing firms themselves and contracting with others to rent assets and supply capital. They identify a handful of promising ideas, including hypotheses concerning monitoring and incentives, worker wealth and credit constraints, portfolio diversification by workers, the operation of membership markets, and collective decision-making in firms. While Dow et al. note that “perhaps the most straightforward hypothesis regarding the rarity of worker-controlled firms is that workers usually lack sufficient wealth to finance their own firms,” they argue that “pure liquidity constraints are unlikely to provide a full explanation of financing difficulties for a sizeable fraction of the workforce in the United States, where workers’ pensions and private insurance funds account for a significant fraction of stock market value.” This point is however contradicted by a recent finding that the top 0.1% of families own the same share of total wealth (about 23%) as the bottom 90% of families in the US (Saez and Zucman, 2014),

105 In his upcoming *The Labor-Managed Firm: Theoretical Foundations*, Dow argues that the rarity of labor-managed firms can be explained by the fact that capital is alienable while labor is inalienable, together with market imperfections.
and a Congressional Budget Office report that the bottom 50% of American families hold just 1% of total wealth (CBO, 2016).

The firm has been described as a “nexus of contracts, written and unwritten, among owners and factors of production and customers (Fama, 1983, 302).” David P. Ellerman argues that capitalist property rights are in fact based on a “fundamental myth” that “the identity of the legal party undertaking a given production opportunity is determined by a property right called ‘ownership of the firm’ or... ‘ownership of the means of production’ (Ellerman, 1993, 6).” Ellerman argues that what actually characterizes capitalism is not the private ownership of capital or even a market economy, but the predominance of the employer-employee relationship. What we understand to be “the firm” is thus not a property right at all but a contractual role, allowing workers to rent their labor to employers, the residual claimants.

Ellerman presents a labor theory of property and contract based on the legal principle of imputation -- that people are liable or responsible for their actions -- arguing that in the economic context, “people should appropriate the (positive and negative) fruits of their labor (Ellerman, 1993, 25).” Ellerman argues that the chief contradiction of the liberal legal regime is that the employee-employer relationship, if it is to be sustained, must be exempted from the principle of imputation, the very bedrock of that regime. This inconsistency can be seen in the example of the employee who, per the principle of imputation, is liable when committing an unlawful act, but who has no responsibility for their lawful labor, which, in violation of that principle, they have contracted away.

Ellerman concludes that a coherent and just theory of property would maintain that “the party who is legally responsible for the whole product is the party who is the last
buyer of the inputs and the first seller of the outputs;” in other words, each worker would take sole responsibility for their own labor (and no one else’s) and therefore be their own residual claimant (Ellerman, 1993, p. 157). All workers, under a system applying Ellerman’s theory, would be independent contractors, rather than employees, prohibited from alienating or transferring control over their actions and legally appropriating both the positive and negative fruits of their labor. All businesses would then be cooperatives composed of independent contractors, or “joint self-employment” firms (Ellerman, 1993, 163).

**Theories of the Cooperative Firm**

British worker cooperatives operate on a different model and logic than that proposed by Ellerman. For the members of these cooperatives, work is understood to be fundamentally a joint effort, between coworkers and between generations of workers, whose contributions cannot be disentangled and should not be commoditized -- and this communitarian understanding of work is institutionalized in their cooperatives’ organizational form and policies. This is critical because the revolutionary potential of worker cooperatives lies not only in how they restructure productive relations, but also in their capacity for changing how workers think about political, economic, and legal relationships.

Whereas members of British worker cooperatives understand production to be a collective and collaborative process between current members and between generations of members, Ellerman’s labor theory of property represents a decidedly individualistic view of labor and production. Ellerman not surprisingly finds fault with British common
ownership cooperatives -- preferring Mondragon-style individual capital accounts instead (see Appendix A). He speculates that the “rather curious ideological support” for common ownership in the UK is possibly due to a “lack of understanding” of how equity works at cooperatives like Mondragon (Ellerman, 1993, 68).

While many members may not be familiar with the finer points of equity structures, their support for common ownership is founded not on ignorance, but on a commitment to maintaining communal values and preventing demutualization. Individual accounts require new members to pay in (sometimes large sums) and allow departing members to cash out, leaving nothing for other cooperatives in the event of a winding down. Symbolically, such accounts represent an individualist conception of cooperation, in which the cooperative is merely the sum of its parts. The British worker cooperative movement, on the other hand, promotes an understanding of the cooperative firm as not only a self-help organization but also a means for progressively extending democratic control of the workplace to all workers.

Ellerman’s labor theory of property, intended to be a corrective to liberal legalism, instead falls victim to the same limitations liberalism runs up against -- namely that legal regimes based on a formal and individualistic understanding of rights, equality, and property fail to adequately account for inequalities in economic resources and power. This limitation is evident in Ellerman’s discussion of the independent contractor, a legal form that he considers to satisfy the democratic principle of self-determination because such workers are technically self-managing.

It may very well be true that simply outlawing the employment relationship would empower workers. Oliver Hart and John Moore find that capitalists prefer to own a firm
rather than contract services from firms they do not own because of the power it gives them to selectively fire workers; they conclude that “authority over assets translates into authority over people (Hart and Moore, 1990).” Therefore, if capitalists and entrepreneurs were prohibited from forming firms and were forced to contract services from independent contractors or ‘joint-self employment’ cooperatives like Ellerman’s, surely the bargaining position of workers would be improved.

Yet, in practice, workers who enjoy a great deal of formal autonomy can suffer low wages and poor working conditions. Take the example of drivers for “sharing economy” companies such as Uber and Lyft, who are not employees of these companies but work as independent contractors. This arrangement was not chosen by the drivers, but by the companies, in order to avoid paying taxes and having to comply with protections afforded to employees, including maximum working hours, overtime benefits, the provision of health insurance, minimum wage, vacation days, and so on\(^\text{106}\).

Ellerman’s labor theory of property upholds the liberal orthodoxy that the relationship between Uber and its drivers is not fundamentally exploitative, but cooperative; self-employed drivers are after all free to form cooperatives or unions, or to work with competing companies. Yet, if the company’s market power and obstacles to workers taking collective action, barriers to raising capital, lack of social support (in the

\(^{106}\) In October of 2016, the Central London Employment Tribunal ruled against Uber, finding that its 40,000 drivers in the UK are not self-employed and must be paid the national living wage. At the time of writing, Uber is appealing the decision. The court’s ruling could end up affecting nearly 500,000 workers throughout the economy who are classified as self-employed. In December 2016, a Labour MP released a report entitled “Sweated Labour: Uber and the Gig Economy,” which found that due to low fares and an oversupply of drivers, some drivers earned \(\frac{1}{3}\) of the national minimum wage after expenses and worked extremely long hours, potentially posing a public safety risk. The report concluded that while drivers ostensibly enjoyed a great deal of freedom to determine their working hours and conditions, in fact the company’s control over fares and its dominant market position left many with no choice but to work long hours for very little.
form of universal healthcare, a basic income, etc.), and other factors combine to stack the cards in favor of the owners of the Uber platform, the relationship will be in fact exploitative. The formal autonomy of the independent contractor form, then, ends up being even less advantageous for drivers than if they were directly employed by the company and enjoyed greater labor protections.

Meanwhile, professionals who are typically not independent contractors, such as college faculty, company executives, and medical doctors, are technically exploited by the employment relationship, but enjoy a great deal of job security and professional freedom, high salaries and generous benefits. What is important then is not workers’ formal employment status so much as their bargaining power, social status (including their gender and race), and other factors. While Uber drivers would likely gain a great deal of bargaining power by forming unions or cooperatives, the barriers to doing so remain high (see, Hurd, 1992). At the time of writing, Uber has threatened to leave Seattle, Washington if a union election is held, and did leave Austin, Texas for one year after the city passed safety regulations for drivers (returning only when the state passed legislation overturning them (Wong, 2017)).

A theory of the firm centered on collectivist cooperatives, like British worker cooperatives, would improve on Ellerman’s labor theory of property; however, it would remain vulnerable to the same basic limitation. Moving the unit of analysis from the individual to the commonly-owned firm, while highlighting the collective labor of members, still excludes non-members (whether employees, customers, or members of the community) who may contribute to the firm, but are not afforded ownership or control rights. Moreover, even in an economy largely or entirely composed of cooperative firms,
cooperatives with competitive advantages -- those owning valuable intellectual property, for example -- may accrue economic power and in effect contract cheaper labor from cooperatives with less bargaining power, or charge captive customers high prices.

An improved theory of the firm would take into account the many factors that contribute to power imbalances both within and between firms; and proposals for organizing production in a more just and equitable way should prevent powerful and organized groups (capital owners, entrepreneurs, managers, bureaucrats, etc.) from claiming exclusive ownership and control rights over firms, and should instead extend democratic rights, institutions, and culture as broadly as practicable. One promising idea, linking rights to use or impact, is not a new one, and has been put into practice by multistakeholder cooperatives for more than a century.

**Multistakeholder Cooperatives**

A consideration taken up by Fici and other cooperative scholars is whether there is any characteristic that fundamentally distinguishes cooperatives from conventional firms. Henry Hansmann has suggested that there is not, because investor-owned firms are essentially lenders’ or capital cooperatives, run for the mutual benefit of shareholders (Hansmann, 2000). An obvious difference between the two, however, is that cooperative members have equal votes\(^\text{107}\), regardless of the volume of their transactions with the cooperative, while the votes of shareholders can vary considerably (with large shareholders sometimes controlling a company, while others have no voting rights at all). Yet, at both conventional firms and at large cooperatives, management can effectively take control of governance regardless of how voting is apportioned.

\(^{107}\) With the exception of cooperatives with non-voting investor members.
For Fici, the distinguishing factor of cooperatives is that the owners are the primary users of the firm. The problem with this, however, is that employees working at consumer cooperatives use (i.e. are involved with) the cooperative more than members who only shop at the cooperative or use its services, yet employees normally exercise no extra control rights; conversely, customers may extensively use the products or services of worker cooperatives, but normally have no control rights at all. In other words, cooperatives tend to extend ownership and control rights disproportionately to one class of user over others.

Multistakeholder cooperatives try to solve this problem by incorporating multiple classes of members into the cooperative. Grocers Eroski (which is part of Mondragon) and Weaver Street Market in Carrboro, North Carolina, are examples of cooperatives with both worker and consumer ownership classes, while Fifth Season, a Wisconsin food broker, includes worker, distributor, processor, buyer, producer, and community supporter classes. The multistakeholder cooperative model recognizes that businesses affect a range of users, and that all users are entitled to participate in making decisions about the business, particularly in the areas that affect them most. For example, workers might be accorded more weight with issues regarding working conditions, while consumers may have priority in regards to product or service selection.

The organizational challenges of apportioning votes and promoting participation by all classes in governance are not insignificant. Rory Ridley-Duff documents several models of multistakeholder cooperatives, and concludes that while some conflict and power imbalance between classes of members is inevitable in any arrangement, the very fact that cooperatives are experimenting with ways to extend democratic rights to
different groups of users helps to reconceptualize the firm and shift the business paradigm (2012). Worker, consumer, and other cooperatives under single user class ownership and control can then be seen as both an improvement on investor-owned firms, and as a stepping stone to organizational forms that more broadly link economic rights to use of or involvement with the firm, in the same way that political rights are normally linked to place.

**Economic Inequality**

Extensive research indicates that income inequality has increased in nearly all countries since 1980 (particularly in North America, China, India, and Russia), and has largely been driven by the unequal ownership of capital (Alvaredo et al., 2017). During this period, public wealth was transferred on a massive scale into private hands in nearly every country, whether rich or emerging; as a consequence, although global wealth has substantially increased overall, public wealth is now negative or close to zero in rich countries, limiting the ability of governments to tackle inequality (see also, Fisher, et al. 2018).

Whether, and how much, wealth inequality matters, has historically been contested along ideological lines. However, as wealth inequality has risen to historic levels across much of the globe, even liberal economists have increasingly formed a consensus on the negative impact of extreme inequality on economic growth and poverty reduction (IMF, 2014). This has produced some ideological dissonance, as organizations like the OECD and IMF, which actively promote austerity, privatization, and liberalization, at the same time report on the economic costs of inequality (an IMF report
noting, for example, that due to increased inequality, “lower income people have been prevented from realizing their human capital potential, which is bad for the economy as a whole (Ostry, Berg, and Tsangarides, 2015).”)

Thomas Piketty and other leading scholars of inequality recommend instituting policies like progressive taxes, a global financial register (recording ownership of financial assets to reduce tax evasion and money laundering), more equal access to education, and public investment in education, health, and environmental protection (Alvaredo et al., 2017, 16). A recent OECD report argues that “the most promising way of promoting equal opportunities and reducing high inequality is to boost employment and access to good-quality jobs (OECD, 2015, 39)”, mainly through active labor market policies like job training. In these circles, little mention is made anymore of unions, despite research showing that income inequality in the US has varied inversely with union density over the past 80 years, and that unions have had a significant, equalizing effect on income distribution over this period (Farber et al., 2018). Often, no mention is made of worker ownership and control at all.

Yet, the structure of worker cooperatives can function to reduce wealth and income inequality in a number of ways. One way they do this is by paying equal wages or establishing a maximum ratio for the lowest to highest paid members. Another way is by channeling revenues to reinvesting in the firm and to paying wages, rather than to paying dividends to shareholders, who tend to be wealthier. Finally, in the event a cooperative is dissolved, the value of its assets helps to start up or to capitalize other cooperatives, rather than enrich a single generation of members.
Worker cooperatives are particularly relevant at a time when powerful labor unions and working class parties have all but disappeared. Among wealthy countries, the UK and US have some of the weakest employment protections (OECD, 2018). In particular, the ability to layoff or fire employees at will in the US is a powerful threat employers hold over workers’ heads. And unlike in countries such as France, where 98% of workers are covered by collective bargaining despite a low rate of union membership (8% of the workforce in recent years), or Germany, where employees are represented in works councils, the US and UK are characterized by a patchwork of worker representation that leaves most workers unrepresented (ETUI, 2016).

One 2014 study that analyzed key variables of over 1,700 policy issues in the US found that economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence (Gilens and Page, 2014). Such analyses reveal the gulf between what equal political rights promise and the reality of unequal social and economic power -- something most workers are likely to be aware of to some extent, but which is obscured by liberal ideology that equates freedom with the absence of popular control over resources and production. The relationship between economic and political equality is relatively straightforward at British worker cooperatives, however, where productive relations are fundamentally reconstituted in a way that better harmonizes political and economic rights and power.

What sets British worker cooperatives apart from more individualist cooperatives is that at British worker cooperatives the principle of cooperation is taken to mean much more than a simple agreement among individuals to work together and hold equal voting
rights. In order to ensure that workers are benefitting from their shared efforts as equally as possible, a great deal of effort is made to encourage collaboration, discussion, and active participation in governance, both at meetings and informally, and to discourage the formation of hierarchies. Togetherness is imperative for this level of cooperation, in the most basic sense of physical proximity: working alongside colleagues and regularly interacting with customers and the community. It therefore follows that the larger a cooperative becomes, and the more dispersed its members are, the harder it is to maintain a sense of connectedness, empathy, and trust.

The Cooperative Economy and Obstacles to Social Change

For Marx and Engels, the logical outcome of cooperative production is communism -- not the centralized planning and authoritarian rule of past (and the few remaining) communist regimes, but the democratic planning of the economy by cooperative organizations:

“If co-operative production is not to remain a sham and a snare; if it is to supersede the capitalist system; if united co-operative societies are to regulate national production upon a common plan, thus taking it under their own control and putting an end to the constant anarchy and periodical convulsions which are the fatality of capitalist production, what else, gentlemen, would it be but communism? (Marx and Engels, 1975, 335)”

While Marx rightly describes capitalist production as a kind of anarchy -- as evidenced by the boom and bust cycle and environmental degradation -- Noam Chomsky has argued that, at the same time, capitalist economies would quickly collapse without strong and active and state support:

“So what we have is a kind of state capitalist system, with the state playing… in American history a very substantial role in economic development, in production,
in research... bailouts... to keep the private sector viable. So is there an alternative to this? Of course. For example the alternative that was taken for granted by 19th century workers before it was sort of beaten out of people’s heads by massive propaganda. ...There was a lot of participation, direct participation, a very lively press, widely read... if you look at the working class press, they were expressing the common view of working people, namely that those that work in the mills should own them and run them (Chomsky, 2010).”

As Chomsky observes, liberal ideology and productive organization, rather than evolving naturally as the conventional narrative tells it, was actively pushed on workers by owners, economists, and political and legal elites. *Laissez-faire*, or ‘free market’ capitalism is in this view illusory; capitalists have always needed a large and powerful state to open up new markets and enforce colonial and imperial rule -- and to build infrastructure, like the national highway system, that private firms have difficulty coordinating. In fact, a high degree of centralized planning occurs in capitalist states in order to coordinate economic activity, through extensive regulation and adjudication of torts, contracts, copyright and so on. If the economy is to be managed in one way or another, cooperatives can function to give workers and consumers greater control over the economic processes they are a part of and the resources they use.

Successful worker cooperatives have helped to keep alive the idea that workers should own and manage their own firms, and have demonstrated that workers are capable of running businesses without hierarchical management and investor capital. However, it appears today that the faith held by Mill -- that worker cooperatives would gradually come to dominate the economy by virtue of their competitive advantages -- may have been optimistic. Mill may have underestimated the extent to which wealth accumulated by owners and investors would empower them to influence the political process and structure the economy to their advantage -- and he certainly could not have foreseen the
advances in technology that would allow capital and production to be moved overseas on such a large scale.

Lenin’s insight was that cooperatives will have little success in reshaping productive relations as long as a small capital-owning class dominates the state, and the “commanding heights” of the economy -- particularly finance -- remains in private hands. Yet, as the Soviet and Yugoslav (see Appendix A) experiences attest, worker control likewise cannot flourish under a centralized, bureaucratic state. Indeed, economic democracy requires political democracy as well.

This study does not consider whether or not cooperatives in any particular form will ultimately be instrumental for moving past capitalist relations and liberal ideology to a more egalitarian and democratic political and economic system. Rather, it illustrates, with the example of British worker cooperatives, one way people join together to resist systems they perceive to be unjust -- not chiefly by attempting to reform formal political and legal institutions, but through the development of alternative organizations and value systems.

As with traditional legal mobilization, these efforts often fail to realize their highest goals; rights won in court may be subsequently undermined, go unenforced, or be underresourced. Yet, as McCann and Scheingold argue, these efforts can nevertheless be critical for bringing people together and providing movements with the ideas and language necessary to challenge oppressive systems and ideologies. Worker cooperatives do this not only by rejecting the liberal-capitalist premise of private property and filtered democracy, but by building a workable alternative based on common property and participative democracy.
Instituting the types of policies that would allow worker ownership and control to expand face major obstacles, however. In France in 1981 and Greece in 2015, leftist governments with strong public support entered office with high ambitions for countering the neoliberal forces sweeping over Europe. Both governments soon backed down and reversed themselves in spectacular fashion. In the 1980s in Sweden, a plan that required most companies to channel a portion of their profits into funds that would allow workers to eventually buy the company was implemented but was subsequently significantly watered down and failed.

In each of these cases, the ambitious policies of labor movements at their peak were undercut by leaders who were not prepared to “go at it alone,” and ultimately shied away from defying European and global markets. These examples evidence the stranglehold monetary unions and capital markets can have on national economies and national politics and policies. Even when public support is high and anti-capitalist parties

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108 In France a coalition of leftist parties led by Francois Mitterrand began in 1981 to implement its “Programme commun,” a Keynesian-inspired policy that included nationalizing (with compensation) key firms in the industrial and banking sectors, increasing welfare benefits, reducing working time and the retirement age, introducing a solidarity tax on wealth, and expanding public housing and social security. By 1983, with the aim of keeping the franc in the European Monetary System in the face of increasing budget and trade deficits and a “capital strike,” Mitterrand made a sharp U-turn, known as the “tournant de la rigueur” or austerity turn, reversing many of these policies (Citéco). In Greece, even though over 60% of those who voted in a referendum (which was called for and supported by the government) rejected the bailout conditions of the European Commission, International Monetary Fund, and the European Central Bank following the Greek depression and debt crisis, the government less than a month later nevertheless accepted a bailout package with even larger pension cuts and tax increases.

109 Sweden’s dominant labor federation, LO, in 1976 adopted the Meidner Plan, named after its leading economist Rudolph Meidner. It would democratize the economy through wage-earner funds: 20 percent of all pre-tax profits, in the form of shares, would be put into a labor-controlled central fund allowing workers greater collective ownership and participation in economic decision-making. Within several decades, the plan was meant to guarantee that most of the Swedish economy would be socialized (Olsen, 1992). However, due to internal divisions within the labor movement surrounding integration into the European market, by 1984 when the plan was finally implemented it had been significantly watered down, and the funds, with very limited worker involvement, never controlled more than seven percent of the Swedish stock market. In 1992, the funds were privatized by a rightwing government.
have been given a clear mandate to implement radical economic reforms, leaders judge
the immediate punishing consequences to outweigh uncertain long-term benefits.

Notwithstanding the UK’s exit from the European Union, future trade agreements
with the EU and other trading partners will likely impact cooperatives. In 2010, the Court
of Justice of the European Union considered whether Italy’s tax exemptions for
cooperatives constituted state aid incompatible with the EU common market\textsuperscript{110}. The court
found that although the specific cooperatives in question in the case were not in fact
genuine cooperatives (and that in Italy the “shortcomings in the monitoring system were
liable to facilitate abuse of the rules under which cooperative societies are entitled to
more advantageous tax treatment”), as long as firms were in fact genuine cooperatives,
and the tax exemptions targeted “income corresponding to the surplus generated by the
work of members,” then they do not constitute prohibited state aid.

While in the short term the ruling may appear to be a victory for the cooperative
movement, as Klare’s example of the Labor Board cases illustrates, the assertion of
jurisdiction and authority over national cooperative policy by distant, unaccountable
courts staffed with technocratic elites (in this case a single jurist) could ultimately
undermine efforts by governments to implement policies that favor cooperatives.

Moreover, trade agreements like the Trans-Pacific Partnership (TPP) and
Transatlantic Trade and Investment Partnership (TTIP) that include investor-state dispute
settlement -- allowing corporations to bring actions against governments for breach of
rights -- threaten to further expand the influence of unelected arbitrators over public

\textsuperscript{110} Opinion of Advocate General Jääskinen delivered on 8 July 2010 Joined Cases C 78/08 to
C 80/08 Amministrazione delle finanze Agenzia delle Entrate v Paint Graphos scarl (C 78/08)
Adige Carni scrl, in liquidation, v Ministero dell’Economia e delle Finanze, Agenzia delle Entrate
(C 79/08) and Ministero delle Finanze (C 80/08) v Michele Franchetto.
policy. Indeed, employers are increasingly opting for private arbitration, requiring their employees to sign mandatory arbitration agreements that prevent workers whose rights are violated from pursuing their claims in court, and forcing them instead into arbitration procedures that research shows overwhelmingly favor employers. A recent report found that the number of workers in the US subject to mandatory arbitration has increased from 2 percent in 1991 to over 55 percent in 2017, and that 23% of Americans have also waived their right to be part of a class action claim (Colvin, 2017).

**Future Research**

It will be important for egalitarian and democratic movements that oppose these trends toward technocratic adjudication and employer-dominated arbitration to go beyond advocating for a return to the some past status quo, and instead reconceptualize and redesign legal institutions around their values. Ironically, for an organizational form without shareholders and based on democratic management, cooperatives in the UK continue to be regulated by a nongovernmental corporation whose job it is to regulate financial firms, and whose decisions on cooperatives cannot be appealed -- precisely the kind of technocratic, unaccountable, and distant system of governance that British worker cooperatives work to counteract.

What would an accessible and democratically accountable legal system look like? Already, workers play an important role in many countries in lending their experience and perspective to conflict resolution. A study of employee lay (non-professional) judges in labor courts in the UK, France, and Germany found that lay judges bring distinctive knowledge to the proceedings, acquired through long exposure to workplace events, that
professional judges valued (Burgess, et al., 2017). Future research can further explore the ways in which formal and informal legal systems incorporate worker representation, non-expert experience, and democratic accountability.

The findings of this study suggest that the ability of worker cooperatives to maintain their standards in the long-term depends not only on the continued innovation of cooperative management techniques and policies to promote equality within cooperatives, but also on broader movements to limit the pressures of investor-driven markets, and to dismantle social hierarchies. Based on this conclusion, future research can determine what kinds of policies can promote worker ownership and control, while taking into account the pitfalls of ceding control to state bureaucracies.

Finally, extending democracy into workplaces will count for little if cooperatives become the reserve of privileged groups. Members identifying as male and female were represented equally at the cooperatives I visited, and female members compared their cooperative favorably to past workplaces in terms of gender equality. The ILO and ICA provide leadership training on gender issues in cooperatives (ILO, 1995), and Co-operatives UK holds free public speaking series and meeting spaces for women, and in 2011 launched The Co-operative Women’s Challenge, a campaign that seeks to ensure women are fairly represented at all levels within the cooperative movement111. However, it was less clear that people of color, the differently-abled, and other groups were well represented.

111 The cooperative movement’s commitment to gender equity appears to be more than mere public relations: in 2016, 41% of board members of cooperative retail businesses in the UK were women, compared to 20% at the largest 250 companies on the London Stock Exchange (FTSE); moreover nearly half of the large cooperative retailers had at least 50% of their directorships occupied by women, with only 2% of the FTSE listed companies having that proportion of women on their boards (Co-operatives UK, 2016).
Worker cooperatives like Cooperation Jackson, a workers’ cooperative in Jackson, Mississippi that is attempting to build an alternative economy for the city’s black residents, have taken the lead in explicitly making the link between institutionalized racism and political economy, and in pushing for the politicization of the movement (Moskowitz, 2017). With historical data revealing that no progress has been made in reducing income and wealth inequalities between black and white US households over the past 70 years (Kuhn, Schularick, and Steins, 2018), the need to incorporate an explicit commitment to racial equality into the cooperative principles and model is urgent, as is building on research into the history of cooperatives in marginalized groups.\footnote{see, Gordon Nembhard, 2014, and Irvin Hunt’s upcoming book \textit{Before the Utopia: A Cultural History of the Black Cooperative Movement, 1890 - The Present}.}
Appendix A: Employee Ownership

The John Lewis Partnership

The John Lewis Partnership, which operates a chain of department stores and supermarkets and is one of the UK’s largest private companies, is a unique business form in which shares are held in trust for the benefit of permanent employees (called partners). Workers therefore own the business indirectly and all surplus that is not reinvested in the company is distributed to workers as bonuses in proportion to their pay. The salary of the highest paid worker, the Chairman, is capped at 75 times the average salary (compared to the UK FTSE 100 CEO pay-to-average income ratio of 232:1 (One Society, 2011)). The Partnership’s management structure is complex, consisting of three main bodies, the Partnership Council, the Partnership Board, and the Chairman’s Committee. As the original owner who created the trust for his employees intended, this structure gives the Chairman considerable power while allowing for a measure of accountability to employee-owners.

The model has received praise in the media and is well regarded in the cooperative movement (see, for example, Wood, 2013 and Telegraph, 2003). A recent study however found signs of democratic degeneration at the firm, including increases in the maximum pay ratio from 25:1 to 75:1, the growing reliance on non-partners to deliver services such as cleaning, and the removal of voting rights in the majority of Branch Forums, where partners raise issues (Cathcart, 2013). Managers were found to promote

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113 The Partnership Council is 80% elected by members and meets at least four times a year, with the remainder being appointed by the Chairman; the Partnership Board is composed of the Chairman and five directors appointed by him or her and five elected by the Council; and a Chairman’s Committee consists of the Chairman and the board members appointed by him or her.
the message that partners “did not seek democratic participation, but simply required consultation and voice,” the same logic undergirding the firm’s paternalistic form. Many partners disagree, however, and have resisted management power grabs with some success. The study concludes that even when protected by a constitution and legal framework, “democratic functioning remains vulnerable to challenges from people who seek to constrain and direct it in ways that meet instrumental ends,” and thus requires constant vigilance and struggle.

**Mondragon**

The Mondragon Cooperative Corporation (MCC), perhaps the world’s most celebrated and studied federation of employee-owned businesses, has, like the John Lewis Partnership, adopted a centralized and hierarchical management structure. This has proven more controversial, however, as Mondragon is composed of many businesses that identify not only as employee-owned but as worker and producer cooperatives that value autonomy and democratic control.

The first Mondragon cooperative, a factory making kerosene cookers, was organized in 1955 by a Catholic priest named José Maria Arizmendiarieta in the town of Mondragon in the Basque region of Spain. The region was economically devastated in the wake of the Spanish Civil War, and was further punished by the Franco regime for its allegiance to the Republican government. Inspired by Christian humanism, Basque egalitarianism, and cooperative principles, Arizmendiarieta and his colleagues established a variety of cooperatives over the following decades, supported by a network
of cooperative technical schools, a cooperative bank, the Caja Laboral, and a social welfare body.

Today Mondragon is the tenth largest business in Spain with 12 billion euros in revenue and 74,000 workers in 97 countries. Composed of 101 cooperatives and 128 subsidiaries, its industrial companies make home appliances and agricultural and automobile components, machine tools and medical equipment, while its retail group runs over 2,000 supermarket outlets throughout Europe. Its bank and social security cooperative provide financial services to members and affiliated businesses. The Mondragon network now includes 9 cooperative educational campuses with nearly 5,000 students, and 12 R&D units and 3 technology centers with nearly 2,000 full-time researchers.

Mondragon cooperatives had always been joined in close confederation, however in the early 90s the group underwent a major restructuring into the uniform corporate identity of the MCC. Like the John Lewis Partnership structure, MCC governance consists of three major bodies: a directly representative body, an indirectly elected board, and a doubly indirectly-elected executive (Bakaikoa, Errasti, and Begiristain, 2004). Also like the John Lewis Partnership, Mondragon’s management system has been praised as innovative in both cooperative and conventional business quarters, and is widely praised for its democratic governance and worker participation.

114 Made up of 650 representatives, the Plenary Congress is elected from all the cooperatives in the Corporation in proportion to their size. It meets every four years to debate and make basic policy decisions. The Standing Committee functions as a board of directors, carrying out policy between plenary sessions of Congress and nominating, removing, and fixing the remuneration of the members of the General Council. The Committee is made up of 19 members elected every four years by Sector sub-group Councils (which, in turn, are formed by members of the Governing Councils elected by each cooperative’s membership.) The General Council is the highest-level executive body of the corporate group with powers of making proposals to the Standing Committee on organisation, management planning, and corporate budgeting. The General Council ordinarily meets monthly is made up of 16 members including the President, Vice Presidents, Secretary-General, and Directors of Central Departments. Only the President is required to be a member of a co-operative of the Group.
considered to be a leading example of successful cooperative governance (see, for example, Buck, 2015 and Burridge, 2012).

Scholarship on the MCC has however revealed ever-increasing corporatization and pervasive apathy and alienation among worker-owners. Jordi Surroca, Miguel A. García-Cestona, and Lluís Santamaría describe how, through the restructuring, members shifted decision rights from the cooperatives to the MCC, which devises a common strategic policy for the entire group. In order to adapt the management of each cooperative to this framework, the Committee has relied on its authority to name and replace managers, who represent the interests of the entire MCC group inside a given cooperative (Surroca, García-Cestona, and Santamaría, 2006). Baleren Bakaikoa, Anjel Errasti, and Agurtzane Begiristain note that management is structured to limit the powers of the Congress, which cannot elect or dismiss members of the Standing Committee and does not have jurisdiction over rules and regulations; power is instead concentrated in the General Council, the central departments of the Corporation, and the divisions (Bakaikoa, Errasti, and Begiristain, 2004, 74).

Surroca et al. argue that Mondragon evidences that the worker-controlled firm can, in practice, be similar in terms of hierarchy to a capitalist firm, the only difference between the two types of organizations being that in a cooperative the board of directors is elected by the workers, whereas in the capital-controlled firm it is elected by shareholders. Bakaikoa et al. report that levels of member participation in management and in decision-making are quite low at Mondragon; attendance at the General Assemblies of the cooperatives, for example, typically does not exceed 30%, and find that while management does attempt to convey information to workers, very few
members actually attend the informative assemblies or even make a point of reading the notice boards. They observe that, “in effect, members delegate their powers to the governing organs, leaving ‘others to run management’,” trusting them to meet targets laid down by the Management Plan. Democracy at Mondragon thus has a formal, delegated nature, and is far from genuine participatory democracy (Bakaikoa, Errasti, and Begiristain, 2004, 81).

Mondragon has also been criticized for embarking on a corporate strategy of internationalization that has involved employing increasing numbers of non-member workers both in its domestic retail businesses and at its overseas subsidiaries. The group has long consisted of a mix of cooperatives and conventional firms, member-owners and non-member employees. Members had always constituted a large majority of workers, however, until shortly after the restructuring, when the Plenary Congress approved the first Strategic Corporate Plan for Internationalization and the cooperative rapidly doubled its workforce. Management argued that for the cooperative to remain competitive it was necessary to expand internationally and “offshore outsource,” i.e. subcontract other companies.

Ramon Flecha and Pun Ngai observe that Mondragon has faced a number of barriers to extending the cooperative form during expansion, including the perceived need to be economically successful before accepting new members, confusion caused by different legal environments, a lack of cooperative culture in other parts of the world, and concerns among the membership about losing control over their investments. In response to members’ misgivings about the dilution of cooperative values, the Congress in 2003 approved a ‘social expansion’ strategy through which the group aimed to combine its
cooperative values with expansion by developing participation mechanisms similar to those available to members, with the final aim of extending its management model to its subsidiary companies (Flecha and Ngai, 2014).

Mondragon advertises that 80% of its industrial employees are worker-owners, however the qualification “industrial” is important because the number is much lower in its retail sector. Existing cooperatives have increasingly hired more non-member employees than have admitted worker-owners, so that Mondragon supermarket chains, for example, employ nearly 40,000 workers but only around 12,000 of them are worker-owners. In fact, overall nearly \( \frac{2}{3} \) of Mondragon’s workers are not member-owners.

Some commentators have argued that to provide its worker-owners with sustainable employment, Mondragon has had to follow capitalist strategies and cannot be expected to extend membership in internationalized markets (Clamp, 2000). Others have recognized this contradiction but have praised the efforts the cooperative has made to open its membership to subsidiary companies and to develop participatory mechanisms and shared ownership (Arando et al., 2010). Even Mondragon’s staunchest critics acknowledge the cooperative’s achievements, including providing members with secure and well-paid jobs under good working conditions, operating with exceptional transparency, maintaining relative wage equality, and preserving a degree of management accountability and responsiveness to members. However in following the imperative to expand and recruit non-members both domestically and in countries with inferior labor conditions, a shrinking proportion of workers at the cooperative enjoy these benefits at the expense of fellow workers.
Cooperatives in Yugoslavia

The only country to have implemented a form of worker management on a nearly economy-wide scale and for a substantial period of time was the Socialist Federal Republic of Yugoslavia (1945 - 1992). Unlike the cooperative movement in the UK, however, worker management in Yugoslavia was instigated by the state and was organized in a bureaucratic, top-down fashion. Yet unlike in other communist countries with highly centralized command economies, Yugoslav workers exercised some control over the operation of their firms.

Under the Yugoslav self-management system, workers’ collectives consisting of all members of a firm elected and delegated authority to a workers’ council of around 30 members, which would meet approximately once a month and was responsible for deciding the prices of the firm’s products, the allocation of net profit, production plans, budgets, and other basic issues. The workers’ council elected a managing board of around 10 members which acted as an agent of the council, meeting more frequently than the council and carrying out its directives on a daily basis. All assets were collectively owned, and all workers were eligible to run for the council (Kavcic, Rus, and Tannenbaum, 1971).

The economic results of the Yugoslav experiment were mixed, with relatively good working conditions and strong, but geographically uneven, growth. The results in terms of democracy were mixed as well. Sidney Verba and Goldie Shabad found that while workers’ councils provided participatory opportunities for a large proportion of the workforce (1 in 5 workers had been elected to their council at one time or another),
unskilled workers were greatly underrepresented and highly-educated white collar workers overrepresented.

The authors suggest that the considerable inequalities in the level of participation among social and economic groups could be attributed to the absence of organizations in the workplace and in the local community which specifically attempt to recruit disadvantaged groups into the political process. The authors further suggest that perhaps such organizations did not exist in Yugoslavia because the ruling party, the League of Communists of Yugoslavia, downplayed such inequalities and conflicts to promote the image of a classless and harmonious society (Verba and Shabad, 1978).

In another assessment of the workers’ councils, Goran Marovic notes that although workers participated actively at meetings, very few of them thought that they influenced decisions; workers were often unaware of their legal rights, and with little education and information, accepted management’s proposals without knowing the consequences of the decision or being provided with alternatives. Because informal groups of party activists and experts could exercise significant influence in enterprises, the ability of workers to resist depended on their developing a “self-managing consciousness (Marovic, 2011).”

Marovic argues that Yugoslav society was marked by class struggle between the bureaucracy and the working class, and that ultimately the economic democracy that the workers’ councils introduced into the firm did not lead to the development of political democracy outside of it. Self-management failed to become the dominant social relationship because workers’ councils -- created by the political leadership and not by
the action of an autonomous working class -- were not able to challenge the dominance of technocracy and bureaucracy.

**Employee Stock Ownership Plans (ESOPs)**

The appeal of worker ownership extends across the political spectrum; from the mid-nineteenth century, liberal economists promoted and industrialists set up profit-sharing schemes for their employees, normally as tax-deductible pension plans. The Employee Stock Ownership Plan (ESOP), first developed in the 1950s, gained a considerable amount of attention among politicians and business leaders in the 1980s, particularly in the US. While the number of firms adopting ESOPs peaked in the mid-90s, the number of employees participating in such plans remains considerable at over 14 million in the US and over 2 million in the UK in recent years (Pendleton, 2001).

ESOPs are instituted for a variety of reasons, sometimes by management in order to prevent a hostile takeover, or by owners wishing to exit the business (as in the case of the John Lewis Partnership.) In the UK nearly two-thirds of ESOPs were created by the privatization of government services, most notably when the Thatcher government privatized bus service in 1985. Follow-up research has found that especially in the case of privatizations, incentives for employees to sell their stake has been strong and employee ownership typically lasts no longer than several years before firms transform into conventionally owned businesses. By 2000 virtually none of the bus companies remained employee-owned (Pendleton, 2001, 1-4). Likewise after many large state-owned Russian and Eastern European enterprises were sold to their workforces in the 1990s without
significant employee participation in governance, employee ownership levels subsequently dropped from 50 to less than 20 percent (Jha, 2012).

Andrew Pendleton describes how ESOPs in the UK developed as an alternative to workers’ cooperatives: while cooperative structures were initially considered in several major ownership conversions in the late 1980s and 1990s, they were rejected by managers who prefered labor-governed firms over labor-managed firms (Pendleton, 2001, 21). Managers sought to avoid “undue day-to-day interference from employee-owners” and to control disproportionate ownership rights rather than share equal votes with workers (Pendleton, 2001, 21). For managers and government officials involved in these conversions, ESOPs had the merit of not having the “ideological baggage of self-management and ‘primitive’ democracy associated with the co-operative form of organisation (Pendleton, 2001, 26).”

Unions tended to favor the form as well, as “the emphasis in most ESOPs on conventional patterns of management organisation provides a clear ‘space’ for traditional trade union activities of employee representation (Pendleton, 2001, 12).” Pendleton concludes his review of UK ESOPs by noting that:

“Idealistic philosophies of equality, self-development, and communal management that pervade many co-ops... tend to be absent or at least weakly developed amongst most ESOPs. For all intents and purposes, most are ‘conventionally’ organised and managed firms. Ownership is separate from employment and management in that it does not confer rights on employees to be actively involved in management or to directly control management activity on a day-to-day basis (Pendleton, 2001, 183).”

A survey of firms with ESOPs in the UK found that less than half are majority-owned by employees, and under a third are 100 percent employee-owned. Although there are considerably more firms with ESOPs in the US, they are on average only around 10 -
13 percent employee-owned, compared to 56 percent in the UK. ESOPs have varying levels of ownership among nonmanagerial employees, and often managers have ownership stakes separate from those of employees as a whole, making inequalities in ownership even more pronounced (Blasi and Kruse, 2006).

Simple employee ownership can, at best, provide a mechanism for the expression of employee interests at the highest level of management, and for the transmission of company information to employee representatives, much like German-style forms of co-determination. Joseph R. Balsi and Douglas L. Kruse note that studies comparing the economic performance of matched samples of ESOPs and conventionally owned firms in the same industries and of the same size have found better profitability and productivity, and less employee turnover, at firms that combine some degree of worker ownership with a participatory company culture that allowed for some degree of democratic decision-making (Blasi and Kruse, 2006, 127-147).

In their retrospective of the previous 30 years of ESOPs in the US Blasi and Kruse find that, nonetheless, “most senior and middle managers have steadfastly resisted combining employee ownership with either employee involvement or governance rights” and have instead lured workers “to use their retirement savings to buy stock in 401k plans—after cutting their defined benefit pensions—and to use their wages to buy company stock in Employee Stock Purchase Plans,” leaving employees with all the risk of undiversified ownership and none of the benefits of control over the workplace (Blasi and Kruse, 2006, 139).
Appendix B: Interview Questions

1. Can you describe your responsibilities on a typical day?
2. How do you make decisions at your cooperative? About minor matters? About major matters (business strategy, policy, etc.) What are some common major and minor decisions?
3. Do you think there are too many meetings at your cooperative?
4. How would you change these decision-making processes if you could?
5. Are you involved with the daily management of the cooperative?
6. Would you say that the operation of the cooperative, and problems that come up, are often dealt with organically, flexibly, or informally?
7. How are disputes or problems dealt with here? (both formally and informally)
8. Would you say that promoting equal participation in decision-making is a top priority for you and/or your cooperative?
9. Are you or is anyone at your cooperative a union member?
10. Do cooperatives have a role to play in improving working conditions and reducing inequality?
11. Do you think all seven cooperative principles are of equal importance? Or could you rank them?
12. Do you think of yourself primarily as a worker, owner, member, or in some other way?
13. What, in your opinion, makes a cooperative a cooperative? What would have to change about your cooperative for you to no longer consider it a proper cooperative?
14. How would you rate the workplace environment compared to other jobs you’ve had?
15. Do you feel equal with the other workers; in some ways more than others?
16. Do you think there is a strong sense of solidarity at your cooperative?
17. Do you feel like cliques form in your workplace?
18. Have you experienced more, less, or about the same amount of discrimination (based on your gender, race, political views, religion, sexual orientation, or disability) compared to previous jobs?
19. What is the most important difference between cooperatives and conventional businesses?
20. Do you think there should be a limit to the size of cooperatives?
21. Do you support indivisible reserves/asset lock? Should all cooperatives have the same policy?
22. Do you feel entitled to a part of the value of the cooperative?
23. Are you committed to maintaining equal pay at your cooperative? Do you think all cooperatives should do the same?
24. Tell me about your participation in any of the following activities: voting, group discussions about workplace issues, submitting suggestions or proposals, sitting on committees...?
25. Are you involved in politics? Does your cooperative encourage engagement with the local politics?
26. Would you describe your cooperative as political, or apolitical?
27. Are you optimistic about the state of politics in relation to the cooperative movement? Do you think cooperative members should be more involved in politics?
28. Would you support any government help, support, or subsidy for cooperatives like yours?
29. Is having a distinct legal form beneficial for cooperatives? Should the state define what a cooperative is and is not?
30. Do you know what agency regulates cooperatives? What criteria are considered when registering a cooperative? If registration decisions can be appealed?
31. Do you think the employment tribunal system is appropriate for cooperatives?
32. To your knowledge, has your cooperative dealt with legal issues during your time here, or before? If so, what were the issues?
33. Do you feel well-informed of your legal rights and responsibilities regarding your work?
Appendix C: Respondent Information

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Appendix D: Worker Cooperative Model Rules
NAME

1. The name of the society shall be Unicorn Grocery Limited.

REGISTERED OFFICE

2. The registered office of the society shall be at 89 Albany Road, Manchester M21 0BN.

INTERPRETATIONS

3. In these rules:

"Address" means a postal address or, for the purposes of electronic communication, a fax number, email address or telephone number for receiving text messages;

"the Act" refers to the Co-operative and Community Benefit Societies Act 2014 or any Act or Acts amending or in substitution of it or them for the time being in force;

"Auditor" means a person eligible for appointment as a company Auditor under Part 42 of the Companies Act 2006;

"The Board of Directors" or "Board" means all those persons appointed to perform the duties of Directors of the society;

"Board Meeting" includes, except where inconsistent with any legal obligation a physical meeting, a meeting held by electronic means and a meeting held by telephone;

"Clear Days" in relation to the period of notice does not include the day on which the meeting is to be held and the day on which the notice is handed to someone or left at their address, or the day on which it is sent, is in the process of being sent and is assumed to be delivered;

"Co-operative" means the above-named society;

"Co-operative Principles" are the principles defined in the International Co-
operative Alliance Statement of Co-operative Identity. The principles are those of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for the community;

"Director" means a director of the Co-operative and includes any person occupying the position of director, by whatever name called;
“Document” includes, unless otherwise stated, any document sent or supplied in electronic form;

“Electronic Means” shall include, for example, email, video links and secure authenticated website transactions;

“Extraordinary Resolution” means, unless the context requires otherwise, those decisions requiring an Extraordinary Resolution as detailed under ‘Resolutions’ in these rules;

"Employee" means anyone over the age of 16 holding a contract of employment with the Co-operative to perform at least eight hours of work per week for the Co-operative;

"Founder Member" means a subscriber to these rules for the purposes of registration;

"Member" has the meaning as detailed under ‘Membership’ in these rules;

"Officer" has the meaning as detailed under ‘Officers’ in these rules;

"Registrar" means the Financial Conduct Authority (FCA) or any body that succeeds its function;

“Regulations” has the meaning as detailed under ‘Regulations’ in these rules;

"Rules" means these Rules;

"Secretary" means any person appointed to perform the duties of the Secretary of the Co-operative;

"Transferable" means shares that are transferable to another Person who also qualifies for membership of the Co-operative in accordance with these Rules;

"Withdrawable" means shares with the associated right for the Member to withdraw and receive in return the value of their shares from the Co-operative;

"Writing" means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied by Electronic Means or otherwise.
Purpose

4. The purpose of the Co-operative is to carry out its function as a co-operative and to abide by the internationally recognised co-operative values and principles of co-operative identity as defined by the International Co-operative Alliance. This rule may only be amended by an Extraordinary Resolution.

5. The objects of the Co-operative shall be to carry on the business as a co-operative and to carry on any other trade, business or service and in particular to the retail of wholesome foodstuffs to the public.

POWERS

6. The Co-operative may do all such lawful things as may further the Co-operative’s objects and, in particular, may borrow or raise funds for any purpose and on behalf of its Members.

BORROWING

7. The Co-operative shall have the power to borrow money from its Members and others in order to further its objects providing that the amount outstanding at any one time shall not exceed £10,000,000.

8. The Co-operative shall have the power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock, debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or Persons or corporations having dealings with the Co-operative.

9. The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a building society or local authority, shall not exceed 5% per annum or 2% above the Bank of England base rate at the commencement of the loan, whichever is the greater.

10. The Co-operative may receive from any Person, donations or loans free of interest in order to further its objects but shall not receive money on deposit.

Borrowing from Members

11. In accordance with the Co-operative Principle of member economic participation the interest paid by the Co-operative on money borrowed from Members shall not exceed such rate as is necessary to attract and retain the capital required to further the Co-operative’s objects and purpose.

FINANCIAL SERVICES AND MARKETS ACT 2000 ACTIVITY

12. For the avoidance of doubt the Co-operative shall not engage in any activity by virtue of any of these Rules that would require a permission from the
Registrar to carry on that activity without first having applied for and obtained such permission.

INVESTMENT OF FUNDS

13. The Co-operative may invest any part of its funds in the manner set out in Section 27 of the Act.
MEMBERS

14. All Employees of the Co-operative may be admitted to membership of the Co-operative, except that the Co-operative in a general meeting may by a majority vote decide to exclude from membership:

(a) Newly appointed Employees during such reasonable probationary period as may be specified in their terms and conditions of employment;

(b) Employees working less than a prescribed number of hours per week (or per month);

provided that any such criteria for exclusion is applied equally to all Employees.

15. In accordance with the Co-operative Principle of voluntary and open membership, whilst the Co-operative shall undertake to encourage its Employees to become Members, membership must be voluntary and as a result cannot be a condition of employment.

Applications for Membership

16. No person shall be admitted into membership of the Co-operative unless that person has attained the age of 18, supports the aims of the Co-operative and has completed an application for membership which includes an application for at least one share in the Co-operative. Such an application form must be approved by the Directors and the Directors must approve each application for membership.

Member Commitment

17. All Members agree to attend general meetings and take an active interest in the operation and development of the Co-operative and its business. Members have a duty to respect the confidential nature of the business decisions of the Co-operative.

18. In accordance with the Co-operative Principle of education, training and information, the Co-operative shall provide potential Members with information about what the role of a Member is within the Co-operative and will provide training in the skills required to be a Member and to participate in the operation of the Co-operative.

19. The Co-operative shall provide ongoing education and training in co-operative values and principles and associated topics. The Co-operative shall support its Members by ensuring that general meetings are accessible and encourage participation.
Termination of Membership

20. A Member shall cease to be a Member of the Co-operative immediately that s/he:

(a) Ceases to be in the employment of the Co-operative; or
(b) Fails to hold the minimum shareholding; or
(c) Resigns in Writing to the Secretary; or
(d) Is expelled from membership in accordance with these Rules; or
(e) Dies.

Expulsion from Membership

21. A Member may be expelled for conduct prejudicial to the Co-operative by an Extraordinary Resolution, provided that the grounds for expulsion have been specified in the notices calling the meeting and that the Member whose expulsion is to be considered shall be given the opportunity to make representations to the meeting or, at the option of the Member, an individual who is there to represent them (who need not be a Member of the Co-operative) has been allowed to make representations to the general meeting.

22. If on due notice having been served the Member fails to attend the meeting the meeting may proceed in the Member's absence.

(a) An expelled Member shall be paid the nominal value of shares held by them at the time of expulsion;
(b) No Member expelled from membership shall be re-admitted except by an Extraordinary Resolution.

PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER

23. Upon a claim being made by the personal representative of a deceased Member; or the trustee in bankruptcy of a Member who is bankrupt the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled or as the personal representative or trustee in bankruptcy may direct them.

24. A Member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a Member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the individual or individuals entitled thereunder.
Share Capital

25. The shares of the Co-operative shall be of the nominal value of £1 issued to persons upon admission to membership of the Co-operative. The shares shall be fully paid prior to issue, neither Transferable nor Withdrawable, shall carry no right to interest, dividend or bonus, and shall be forfeited and cancelled on cessation of membership from whatever cause, and the amount paid up on such cancelled shares shall become the property of the Co-operative. Each Member shall hold one share only in the Co-operative.

GENERAL MEETINGS

26. The Co-operative shall, within six months of the end of the financial year, hold a general meeting of the Members as its annual general meeting and shall specify the meeting as such in the notice calling it.

27. The business of an annual general meeting shall comprise, where appropriate:

(a) The receipt of the accounts and balance sheet and of the reports of the Board and Auditor (if any);

(b) The appointment of an Auditor, if required;

(c) The election of the Board or the results of the election if held previously by ballot;

(d) The application of profits;

(e) The transaction of any other business included in the notice convening the meeting.

28. In accordance with the Co-operative Principle of democratic member control, the Co-operative shall ensure that, in addition to the annual general meeting, at least four other general meetings are held annually. The purpose of these meetings is to ensure that Members are given the opportunity to participate in the decision making process of the Co-operative, review the business planning and management processes and to ensure the Co-operative manages itself in accordance with the co-operative values and principles.

Calling a General Meeting

29. The Secretary, at the request of the Board of Directors may convene a general meeting of the Co-operative. The purpose of the general meeting shall be stated in the notice of the meeting.
30. The Board of Directors upon an application signed by one-tenth of the total number of Members, or 100 Members, whichever is the lesser, delivered to the registered office of the Co-operative, shall convene a general meeting. The purpose of the general meeting shall be stated in the application for and notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting.

31. If within one month from the date of the receipt of the application the Board have not convened a general meeting to be held within six weeks of the application, any three Members of the Co-operative acting on behalf of the signatories to the application may convene a general meeting, and shall be reimbursed by the Co-operative for any costs incurred in convening such a meeting.

Notices

32. The Directors shall call the annual general meeting giving 14 Clear Days’ notice to all Members. All other general meetings shall be convened with at least 14 Clear Days’ notice but may be held at shorter notice if so agreed in Writing by 90% of the Members.

33. Notices of meetings shall either be given to Members personally or sent to them at their Address or alternatively, if so agreed by the Co-operative in general meeting, notices of general meetings may be displayed conspicuously at the registered office and in all other places of business of the Co-operative to which Members have access. Notices shall specify the date, time and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A general meeting shall not transact any business other than that specified in the notices calling the meeting.

34. A notice sent to a Member’s Address shall be deemed to have been duly served 48 hours after its posting. The accidental omission to send any notice or the non-receipt of any notice by any Person entitled to receive notice shall not invalidate the proceedings at the meeting.

35. All notices shall specify the date, time and place of the meeting along with the general nature of business to be conducted and any proposed resolutions.

36. If the Co-operative has appointed an Auditor in accordance with these Rules they shall be entitled to attend general meetings of the Co-operative and to receive all notices of and communications relating to any general meeting which any Member of the Co-operative is entitled to receive. The Auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an Auditor.

Quorum

37. No business shall be transacted at a general meeting unless a quorum of Members is present which shall include those Members not present in person.
Unless amended by Extraordinary Resolution, a quorum shall be 3 Members or 66% of the membership, whichever is the greater.

**Chairing General Meetings**

38. The chairperson of the Co-operative shall facilitate general meetings. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Members present shall choose one of their number to be the chairperson for that meeting.
### Attendance and Speaking at General Meetings

39. A Member is able to exercise the right to speak at a general meeting and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a general meeting, it is immaterial whether any two or more Members attending are in the same place as each other, provided that they are able to communicate with each other.

40. The chairperson of the meeting may permit other persons who are not Members of the Co-operative to attend and speak at general meetings, without granting any voting rights.

### Adjournment

41. If a quorum is not present within half an hour of the time the general meeting was due to commence, or if during a meeting a quorum ceases to be present, the chairperson must adjourn the meeting. If within half an hour of the time the adjourned meeting was due to commence a quorum is not present, the Members present shall constitute a quorum.

42. The chairperson of a general meeting may adjourn the meeting whilst a quorum is present if:

   (a) The meeting consents to that adjournment; or

   (b) It appears to the chairperson that an adjournment is necessary to protect the safety of any persons attending the meeting or to ensure that the business of the meeting is conducted in an orderly manner.

43. The chairperson must adjourn the meeting if directed to do so by the meeting.

44. When adjourning a meeting the chairperson must specify the date, time and place to which it will stand adjourned or that the meeting is to continue at a date, time and place to be fixed by the Directors.

45. If the meeting is adjourned for 14 days or more, at least 7 Clear Days’ notice of the adjourned meeting shall be given in the same manner as the notice of the original meeting.

46. No business shall be transacted at an adjourned meeting other than business which could properly have been transacted at the meeting if the adjournment had not taken place.
Voting

47. In accordance with the Co-operative Principle of democratic member control, each Member shall have one vote on any question to be decided in general meeting.

48. A resolution put to the vote at a general meeting shall be decided on a show of hands unless a paper ballot is demanded in accordance with these Rules. A declaration by the chairperson that a resolution has on a show of hands been carried or lost with an entry to that effect recorded in the minutes of the general meeting shall be conclusive evidence of the result. Proportions or numbers of votes in favour for or against need not be recorded.

49. In the case of an equality of votes, whether on a show of hands or a poll, the chairperson shall not have a second or casting vote and the resolution shall be deemed to have been lost. [ut]

Paper Ballot

50. A paper ballot on a resolution may be demanded before or on the declaration of the result of the show of hands by three Members at a general meeting.

51. If a paper ballot is duly demanded it shall be taken in such a manner as the chairperson directs, provided that no Member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.

52. The demand for a paper ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a paper ballot may be withdrawn.

Resolutions

53. Decisions at general meetings shall be made by passing resolutions:

(a) The following decisions must be made by Extraordinary Resolution:

(i) Decisions to expel Members;

(ii) Decisions to dispose of assets of the Co-operative equivalent in value to one-third of the Co-operative’s last published balance sheet, as detailed in these Rules;

(iii) Any amendment to the Co-operative’s Rules;

(iv) The decision to wind up the Co-operative.

(b) All other decisions shall be made by ordinary resolution.
54. An Extraordinary Resolution is one passed by a majority of not less than 75% of votes cast at a general meeting and an ordinary resolution is one passed by a simple majority (51%) of votes cast.

55. Resolutions may be passed at general meetings or by written resolution. A written resolution may consist of several identical Documents signed by one or more Members.
DIRECTORS

56. The Co-operative shall have a Board of Directors comprising not less than three Directors.

57. Only Members of the Co-operative who are aged 18 years or more may serve on the Board of Directors.

58. Subject to those Directors appointed for the purposes of registration, all Members of the Co-operative shall also be Directors. Upon becoming a Member of the Co-operative a person shall be appointed to the Board of Directors and if a person ceases to hold office as a Director they will also cease to be a Member of the Co-operative.

Board Education and Training

59. In accordance with the Co-operative Principle of education, training and information, before accepting a position as Director an individual must agree to undertake training during their first year of office as deemed appropriate by the Co-operative. This training will include information on the roles and responsibilities of being a Director of a society which is also a co-operative.

Powers and Duties of the Board of Directors

60. The business of the Co-operative shall be managed by the Board who may exercise all such powers of the Co-operative as may be exercised and done by the Cooperative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in general meeting.

61. All decisions made by a meeting of the Board of Directors or by any person acting as a Director shall remain valid even if it is later discovered that there was some defect in the Director’s appointment or that the individual had previously been disqualified from acting as a Director.

62. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Board shall from time to time direct.

63. Without prejudice to its general powers, the Board may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.

64. No Regulation made by the Co-operative in general meeting shall invalidate any prior act of the Board which would have been valid had that Regulation
not been made.

65. In accordance with the Co-operative Principles of democratic member control and member economic participation, the Board of Directors shall not be entitled to sell or otherwise dispose of assets (in a single transaction or series of transactions) equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative without the approval of the Members by Extraordinary Resolution.
Delegation

66. Subject to these Rules, the Directors may delegate any of the powers which are conferred on them under these Rules to any Person or committee consisting of Members of the Co-operative, by such means, to such an extent, in relation to such matters and on such terms and conditions as they think fit.

67. The Directors may specify that any such delegation may authorise further delegation of the powers by any Person to whom they are delegated.

68. The Directors may revoke any delegation in whole or in part or alter any terms and conditions.

Sub-Committees

69. A sub-committee to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Rules which govern the taking of decisions by Directors.

70. The Directors may make Regulations for all or any sub-committees, provided that such Regulations are not inconsistent with these Rules.

71. All acts and proceedings of any sub-committee must be fully and promptly reported to the Directors.

PROCEEDINGS OF THE BOARD OF DIRECTORS

Calling a Meeting of the Board of Directors

72. Any Director may, and the Secretary on the requisition of a Director shall, call a meeting of the Board of Directors by giving reasonable notice of the meeting to all Directors. Notice of any meeting of the Board of Directors must indicate the date, time and place of the meeting and, if the directors participating in the meeting will not be in the same place, how they will communicate with each other.

Proceedings of a Meeting of the Board of Directors

73. The Board of Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

74. A Director is able to exercise the right to speak at a meeting of the Board of Directors and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a meeting of the Board of Directors to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a meeting of the Board of Directors, it is immaterial whether any two or more Directors attending
are in the same place as each other.

75. Questions arising at any meetings of the Board shall be decided by a majority of votes. In the case of an equality of votes the status quo shall be maintained and the Board of Directors may choose to refer the matter to a general meeting of the Co-operative.
76. A written resolution, circulated to all Directors and signed by a simple majority (51%) of Directors, shall be valid and effective as if it had been passed at a Board meeting duly convened and held. A written resolution may consist of several identical Documents signed by one or more Directors.

77. The Board of Directors may, at its discretion, invite other persons to attend its meetings with or without speaking rights and without voting rights. Such attendees will not count toward the quorum.

**Quorum**

78. The quorum necessary for the transaction of business at a meeting of the Board of Directors shall be 66% of the Directors or 3 Directors, whichever is the greater and shall include those Directors not present in person.

79. If at any time the total number of Directors in office is less than the quorum required, the Directors are unable to take any decisions other than to appoint further Directors or to call a general meeting so as to enable the Members to appoint further Directors.

**Chairing Board Meetings**

80. The chairperson shall facilitate meetings of the Board of Directors. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Directors present shall choose one of their number to be the chairperson for that meeting.

**Declaration of Interest**

81. A Director shall declare an interest in any contract or matter in which s/he has a personal, material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter, provided that nothing shall prevent a Director voting in respect of her/his terms and conditions of employment or any associated matter.

**Expenses**

82. The Co-operative may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Co-operative.

**Termination of a Director's Appointment**

83. A person ceases to be a Director of the Co-operative as soon as:

(a) That person ceases to be a Member of the Co-operative;
(b) That person resigns from office in writing to the Secretary of the Co-operative, and such resignation has taken effect in accordance with its terms;

(c) That person is removed from office by an ordinary resolution of the Co-operative in general meeting, the notices for which specified that the question of the Director's removal was to be considered;
(d) That person is prohibited from being a Director by law;

(e) That person is disqualified from acting as a trustee by virtue of sections 178 and 179 of the Charities Act 2011 (or any statutory re-enactment or modification of those provisions);

(f) A bankruptcy order is made against that person;

(g) In the written opinion, given to the Society, of a registered medical practitioner treating that person, s/he has become physically or mentally incapable of acting as a Director and may remain so for more than three months.

OFFICERS

84. The Board shall elect from among their own number a chairperson and Secretary and such other Officers as they may from time to time decide. These Officers shall have such duties and rights as may be bestowed on them by the Board or by law and any Officer appointed may be removed by the Board. A serving Officer who is not re-elected to the Board at the annual general meeting shall nevertheless continue in office until the first Board meeting following the annual general meeting.

DISPUTES

85. In the event of a dispute between the Co-operative or its Board and a Member of the Co-operative or a former Member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute or in the absence of agreement to be nominated by the Secretary General of Co-operatives UK (or any role or body that succeeds to its function). The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the county court (or in Scotland, to the sheriff). Any Person bringing a dispute must, if so required, deposit with the Co-operative a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.

REGULATIONS

86. The Co-operative in a general meeting, or the Board of Directors, may from time to time make, adopt and amend such Regulations in the form of bye-laws, standing orders, secondary rules or otherwise as they think fit for the management, conduct and regulation of the affairs of the Co-operative and the proceedings and powers of the Board of Directors and sub-committees. Such Regulations (if any) shall be made available to all Members. No Regulation shall be made which is inconsistent with these Rules or the Act. All Members of the Co-operative and the Board of Directors shall be bound by such Regulations whether or not they have received a copy of them.
LIABILITY OF MEMBERS

87. The liability of a Member is limited to the amount of their shareholding.

APPLICATION OF PROFITS

88. Any profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the annual general meeting:

(a) To a general reserve for the continuation and development of the Co-operative;

(b) To paying dividends to Members, either equally or in accordance with some other equitable formula which recognises the relative contribution made by each Member to the business of the Co-operative;

(c) To making payment for social, co-operative or community purposes within the community served by the Co-operative.

AMALGAMATION, TRANSFER OF ENGAGEMENTS AND CONVERSION

89. The Society may, by special resolution passed in the way required by section 111 of the Act, amalgamate with, or transfer its engagements to another registered society subject to at least the same degree of restriction on the distribution of profit as imposed on this Society by virtue of these Rules. The Society may also accept a transfer of engagements and assets by a resolution of the Board or by general meeting.

90. The Society may, by a special resolution passed in a way required by section 113 of the Act, amalgamate with, or transfer its engagements to, or convert to a company, subject to at least the same degree of restriction on the distribution of profits and assets as imposed on this Society by virtue of these Rules.

a. The Co-operative shall give to Members not less than two months’ notice of the meeting;

b. Notice of the meeting shall be posted in a prominent place at the registered office and at all trading premises of the Co-operative to which Members have access;

c. The notice shall be accompanied by a separate statement setting out for Members:
   i. the reasons for the proposal;
ii. whether the proposal has the support of the Board of the Co-operative;

iii. what alternative proposals have been considered, and whether they are viable;

iv. details of the number of shares in the Co-operative held by Members of the Board, and Persons connected with them;
v. a recommendation by reputable independent financial advisors that the Members should support the proposal rather than any alternative proposal.

d. Where the separate statement is contained in another Document, information shall be provided in the notice specifying where Members can obtain a copy of the Document.

DISSOLUTION

91. The Society may be dissolved:

(a) in accordance with section 119 of the Act by an instrument of dissolution;

(b) in accordance with section 123 of the Act in pursuance of a winding up order or by a resolution made or passed as directed in regard to companies by the insolvency Act 1986; or

(c) in accordance with section 125 of the Act, after administration and administrator issues a notice to dissolve the society without prior winding-up.

OPTION 1: Common Ownership

92. The Co-operative is a common ownership enterprise. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the Members, but shall be transferred to some other common ownership co-operative(s), or to Co-operatives UK (or any body that succeeds to its function). If such residual assets cannot be distributed in this manner they shall be transferred to some other organisation(s) whose purpose is to promote and support the co-operative movement and common ownership enterprises. This rule may only be amended by Extraordinary Resolution.

ADMINISTRATIVE ARRANGEMENTS

Means of Communication

93. A Member may provide their consent to receive communications from the Co-operative by Electronic Means.

94. A notice sent to a Director’s Address shall be deemed to have been duly served 48 hours after its posting. A Director may agree with the Co-operative that notices or documents sent to her/him in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.
Seal

95. If the Co-operative has a seal, it shall only be used by the authority of the Board of Directors acting on behalf of the Co-operative. Every instrument to which the seal shall be attached shall be signed by a Director and countersigned by a second Director or the Secretary.
Registers

96. The Board of Directors shall ensure accurate registers are maintained which shall include a register of Members, a register of Directors and a register of Officers.

Register of Members

97. The Board shall ensure that the register is maintained in accordance with the Act and that the particulars required by the Act are available for inspection and accessible without the need to disclose other particulars contained in the register.

Register of Directors and Officers

98. The Co-operative shall maintain a register of Directors and Officers which shall include the following particulars:

   (a) Name of the Director;
   (b) Address of the Director;
   (c) The date on which they assumed office;
   (d) The date on which they vacated office; and
   (e) The position held by a Director if s/he is also an Officer and the date on which the Director assumed and vacated his/her Officer position.

Amendments to Rules

99. Any of these Rules may be rescinded or amended or a new rule made by an Extraordinary Resolution at a general meeting of which 14 Clear Days' notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of Rules is valid until registered by the Registrar. When submitting the rule amendments for registration the Secretary may at their sole discretion accept any alterations required or suggested by the Registrar without reference back to a further general meeting of the Co-operative.

Copies of the Co-operative's Rules

100. A copy of these Rules and any amendments made to them shall be given free of charge to every Member upon admission to Membership and shall be provided to any other Person on demand and on payment of the statutory fee chargeable for the time being in force.

Minutes

101. The Co-operative shall ensure that minutes are kept of all:
(a) Proceedings at general meetings of the Co-operative; and

(b) Proceedings at meetings of the Board of Directors and its sub-committees which include names of the Directors present, decisions made and the reasons for those decisions.
Annual Return

102. Every year and within the period prescribed by the Act, the Secretary shall send the annual return in the prescribed form to the Registrar. The annual return shall be accompanied by:

a. A copy of the Auditor’s report on the Co-operative’s accounts for the period covered by the annual return or a copy of such other report (if any) as is required by statute for such a period; and

b. A copy of each balance sheet made during that period and report of the Auditor or other appropriate person as required by statute on that balance sheet.

103. The Co-operative shall on demand supply free of charge to any Member or any person with an interest in the funds of the Co-operative a copy of the latest annual return together with a copy of the Auditor’s report on the accounts and balance sheet contained in the annual return and the Auditor’s report (if any).

104. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding Auditor’s report (if any) hung up in a conspicuous place at the registered office and displayed on the Co-operative’s website (if any).

Audit

105. Unless the Society meets the criteria set out in section 83(2) of the Act or may disapply the audit requirement in accordance with section 84 of the Act, the Board shall in each financial year appoint an Auditor as required by section 83(1) of the Act to audit the Society’s accounts and balance sheet for the year. This provision also applies if the Society is in its first financial year.

106. The following persons shall not be appointed as Auditor of the Co-operative:

(a) An Officer or Employee of the Co-operative;

(b) A person who is a partner or employee of, or who employs, an Officer of the Co-operative.

107. The Board may appoint an Auditor to fill a casual vacancy occurring between general meetings.

108. An Auditor for the preceding financial year shall be re-appointed as Auditor of the Co-operative for the current financial year unless:

(c) A decision has been made by the Board to appoint a different Auditor or expressly decided that s/he shall not be re-appointed; or
(d) S/he has given notice in writing to the Secretary of her/his unwillingness to be re-appointed; or

(e) S/he is ineligible for appointment as Auditor of the Co-operative for the current financial year; or

(f) S/he has ceased to act as Auditor of the Co-operative by reason of incapacity.
109. Any ordinary resolution of a general meeting of the Co-operative either to remove an Auditor from office or to appoint another person as Auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least 28 days prior to the meeting at which the resolution is to be considered. At least 14 days’ notice of such resolution must then be given to Members of the Co-operative in the manner prescribed in these Rules and in Writing to the Auditor(s).

**Social Accounting and Reporting**

110. In addition to any financial accounts required by the Act, the Members may resolve to undertake an account of the activities of the Co-operative which will endeavour to measure its co-operative, social and environmental performance using whatever methodology the Members deem appropriate. Following the completion of such an account the Co-operative shall report any findings to its Members and other stakeholders.

**Indemnity and Insurance**

111. Subject to the following rule, any Director or former Director of the Co-operative may be indemnified out of the Co-operative’s assets against:

   (a) Any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Co-operative;

   (b) Any liability incurred by that Director in connection with the activities of the Co-operative in its capacity as a trustee of an occupational pension scheme;

   (c) Any other liability incurred by that Director as an Officer of the Co-operative.

112. The above rule does not authorise any indemnity which would be prohibited or rendered void by any provision of law.

113. The Directors may decide to purchase and maintain insurance, at the expense of the Co-operative, for the benefit of any Director or former Director of the Co-operative in respect of any loss or liability which has been or may be incurred by such a Director in connection with their duties or powers in relation to the Co-operative or any pension fund or employees’ share scheme of the Co-operative.
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<th>Signatures of Members</th>
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<td>1.</td>
<td>Abbie Kempson</td>
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**Signature of Secretary**  
**Full Name of Secretary (no initials)**  
Richard Redman

- Accepted as a model by the Financial Conduct Authority 2015 v.1 -
Financial Services Authority
Form B
R/IP/RA/2

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965
Acknowledgement of Registration of Society

Register No. 31832 R
Leeds Community Bakery Limited is this day registered under the Industrial and Provident Societies Act 1965.

Date: 16 October 2012

Financial Services Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS
Industrial and Provident Societies Act 1965

Rules of
Leeds Community Bakery Limited

NAME

1. The name of the society shall be Leeds Community Bakery Limited.

REGISTERED OFFICE

2. The registered office of the society shall be at 13 Wharfedale Grove, Leeds, LS7 2LQ.

INTERPRETATIONS

3. In these rules:

"Address" means a postal address or, for the purposes of electronic communication, a fax number, email address or telephone number for receiving text messages;

"the Act" refers to the Industrial and Provident Societies Act 1965 or any Act or Acts amending or in substitution of it or them for the time being in force;

"Auditor" means a person eligible for appointment as a company Auditor under section 25 of the Companies Act 1989;

"The Board of Directors" or "Board" means all those persons appointed to perform the duties of Directors of the society;

"Board Meeting" includes, except where inconsistent with any legal obligation a physical meeting, a meeting held by electronic means and a meeting held by telephone;

"Clear Days" in relation to the period of notice does not include the day on which the meeting is to be held and the day on which the notice is handed to someone or left at their address, or the day on which it is sent, is in the process of being sent and is assumed to be delivered;

"Co-operative" means the above-named society;

"Co-operative Principles" are the principles defined in the International Co-operative Alliance Statement of Co-operative Identity. The principles are those of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for the community;

"Director" means a director of the Co-operative and includes any person occupying the position of director, by whatever name called;
"Document" includes, unless otherwise stated, any document sent or supplied in electronic form;

"Electronic Means" shall include, for example, email, video links and secure authenticated website transactions;

"Extraordinary Resolution" means, unless the context requires otherwise, those decisions requiring an Extraordinary Resolution as detailed under ‘Resolutions’ in these rules;

"Employee" means anyone over the age of 16 holding a contract of employment with the Co-operative to perform at least eight hours of work per week for the Co-operative;

"Founder Member" means a subscriber to these rules for the purposes of registration;

"Member" has the meaning as detailed under ‘Membership’ in these rules;

"Officer" has the meaning as detailed under ‘Officers’ in these rules;

"Registrar" means the Financial Services Authority (FSA) or any body that succeeds its function;

" Regulations" has the meaning as detailed under ‘Regulations’ in these rules;

"Rules" means these Rules;

"Secretary" means any person appointed to perform the duties of the Secretary of the Co-operative;

"Transferable" means shares that are transferable to another Person who also qualifies for membership of the Co-operative in accordance with these Rules;

"Withdrawable" means shares with the associated right for the Member to withdraw and receive in return the value of their shares from the Co-operative;

"Writing" means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied by Electronic Means or otherwise.

**Purpose**

4. The purpose of the Co-operative is to carry out its function as a co-operative and to abide by the internationally recognised co-operative values and principles of co-operative identity as defined by the International Co-operative Alliance. This rule may only be amended by an Extraordinary Resolution.

**OBJECTS**

5. The objects of the Co-operative shall be to carry on the business as a co-operative and to carry on any other trade, business or service and in particular to:

(a) Increase consumption, availability, and knowledge of real bread by:
Co-operatives UK Worker Co-operative Model

(i) Producing real bread in a socially and environmentally responsible way
(ii) Making our bread available to a wide range of people
(iii) Creating a ‘food hub’ where a range of small food businesses can realise their own visions while collaborating and supporting each other
(iv) Offering food-based workshops and classes which empower people to develop their skills and improve their health.

(b) Provide an ethical and enjoyable livelihood and workplace to its employees.

POWERS

6. The Co-operative may do all such lawful things as may further the Co-operative’s objects and, in particular, may borrow or raise funds for any purpose and on behalf of its Members.

BORROWING

7. The Co-operative shall have the power to borrow money from its Members and others in order to further its objects providing that the amount outstanding at any one time shall not exceed £10,000,000.

8. The Co-operative shall have the power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock, debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or Persons or corporations having dealings with the Co-operative.

9. The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a building society or local authority, shall not exceed 5% per annum or 2% above the Co-operative Bank’s base rate at the commencement of the loan, whichever is the greater.

10. The Co-operative may receive from any Person, donations or loans free of interest in order to further its objects but shall not receive money on deposit.

Borrowing from Members

11. In accordance with the Co-operative Principle of member economic participation the interest paid by the Co-operative on money borrowed from Members shall not exceed such rate as is necessary to attract and retain the capital required to further the Co-operative’s objects and purpose.

FINANCIAL SERVICES AND MARKETS ACT 2000 ACTIVITY

12. For the avoidance of doubt the Co-operative shall not engage in any activity by virtue of any of these Rules that would require a permission from the Registrar to carry on that activity without first having applied for and obtained such permission.

INVESTMENT OF FUNDS
13. The Co-operative may invest any part of its funds in the manner set out in Section 31 of the Act.

MEMBERS

14. The first Members of the Co-operative will be the Founder Members. Only Employees may be Members of the Co-operative.

15. All Employees of the Co-operative may be admitted to membership of the Co-operative, except that the Co-operative in a general meeting may by a majority vote decide to exclude from membership:

(a) Newly appointed Employees during such reasonable probationary period as may be specified in their terms and conditions of employment;

(b) Employees working less than a prescribed number of hours per week (or per month);

provided that any such criteria for exclusion is applied equally to all Employees.

16. In accordance with the Co-operative Principle of voluntary and open membership, whilst the Co-operative shall undertake to encourage its Employees to become Members, membership must be voluntary and as a result cannot be a condition of employment.

Applications for Membership

17. No person shall be admitted into membership of the Co-operative unless that person has attained the age of 16, supports the aims of the Co-operative and has completed an application for membership which includes an application for at least one share in the Co-operative. Such an application form must be approved by the Directors and the Directors must approve each application for membership.

Member Commitment

18. All Members agree to attend general meetings and take an active interest in the operation and development of the Co-operative and its business. Members have a duty to respect the confidential nature of the business decisions of the Co-operative.

19. In accordance with the Co-operative Principle of education, training and information, the Co-operative shall provide potential Members with information about what the role of a Member is within the Co-operative and will provide training in the skills required to be a Member and to participate in the operation of the Co-operative.

20. The Co-operative shall provide ongoing education and training in co-operative values and principles and associated topics. The Co-operative shall support its Members by ensuring that general meetings are accessible and encourage participation.

Termination of Membership

21. A Member shall cease to be a Member of the Co-operative immediately that s/he:

(a) Ceases to be in the employment of the Co-operative; or
(b) Fails to hold the minimum shareholding; or
(c) Resigns in Writing to the Secretary; or
(d) Is expelled from membership in accordance with these Rules; or
(e) Dies.

Expulsion from Membership

22. A Member may be expelled for conduct prejudicial to the Co-operative by an Extraordinary Resolution, provided that the grounds for expulsion have been specified in the notices calling the meeting and that the Member whose expulsion is to be considered shall be given the opportunity to make representations to the meeting or, at the option of the Member, an individual who is there to represent them (who need not be a Member of the Co-operative) has been allowed to make representations to the general meeting.

23. If on due notice having been served the Member fails to attend the meeting the meeting may proceed in the Member's absence.

(a) An expelled Member shall be paid the nominal value of shares held by them at the time of expulsion;
(b) No Member expelled from membership shall be re-admitted except by an Extraordinary Resolution.

PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER

24. Upon a claim being made by the personal representative of a deceased Member; or the trustee in bankruptcy of a Member who is bankrupt the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled or as the personal representative or trustee in bankruptcy may direct them.

25. A Member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a Member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the individual or individuals entitled thereunder.

Share Capital

26. The shares of the Co-operative shall be of the nominal value of £1 issued to persons upon admission to membership of the Co-operative. The shares shall be fully paid prior to issue, neither Transferable nor Withdrawable, shall carry no right to interest, dividend or bonus, and shall be forfeited and cancelled on cessation of membership from whatever cause, and the amount paid up on such cancelled shares shall become the property of the Co-operative. Each Member shall hold one share only in the Co-operative.
GENERAL MEETINGS

27. The Co-operative shall, within six months of the end of the financial year, hold a general meeting of the Members as its annual general meeting and shall specify the meeting as such in the notice calling it.

28. The business of an annual general meeting shall comprise, where appropriate:
   (a) The receipt of the accounts and balance sheet and of the reports of the Board and Auditor (if any);
   (b) The appointment of an Auditor, if required;
   (c) The election of the Board or the results of the election if held previously by ballot;
   (d) The application of profits;
   (e) The transaction of any other business included in the notice convening the meeting.

29. In accordance with the Co-operative Principle of democratic member control, the Co-operative shall ensure that, in addition to the annual general meeting, at least four other general meetings are held annually. The purpose of these meetings is to ensure that Members are given the opportunity to participate in the decision making process of the Co-operative, review the business planning and management processes and to ensure the Co-operative manages itself in accordance with the co-operative values and principles.

Calling a General Meeting

30. The Secretary, at the request of the Board of Directors may convene a general meeting of the Co-operative. The purpose of the general meeting shall be stated in the notice of the meeting.

31. The Board of Directors upon an application signed by one-tenth of the total number of Members, or 100 Members, whichever is the lesser, delivered to the registered office of the Co-operative, shall convene a general meeting. The purpose of the general meeting shall be stated in the application for and notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting.

32. If within one month from the date of the receipt of the application the Board have not convened a general meeting to be held within six weeks of the application, any three Members of the Co-operative acting on behalf of the signatories to the application may convene a general meeting, and shall be reimbursed by the Co-operative for any costs incurred in convening such a meeting.

Notices

33. The Directors shall call the annual general meeting giving 14 Clear Days' notice to all Members. All other general meetings shall be convened with at least 14 Clear Days' notice but may be held at shorter notice if so agreed in Writing by 90% of the Members.
34. Notices of meetings shall either be given to Members personally or sent to them at their Address or alternatively, if so agreed by the Co-operative in general meeting, notices of general meetings may be displayed conspicuously at the registered office and in all other places of business of the Co-operative to which Members have access. Notices shall specify the date, time and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A general meeting shall not transact any business other than that specified in the notices calling the meeting.

35. A notice sent to a Member's Address shall be deemed to have been duly served 48 hours after its posting. The accidental omission to send any notice to or the non-receipt of any notice by any Person entitled to receive notice shall not invalidate the proceedings at the meeting.

36. All notices shall specify the date, time and place of the meeting along with the general nature of business to be conducted and any proposed resolutions.

37. If the Co-operative has appointed an Auditor in accordance with these Rules they shall be entitled to attend general meetings of the Co-operative and to receive all notices of and communications relating to any general meeting which any Member of the Co-operative is entitled to receive. The Auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an Auditor.

**Quorum**

38. No business shall be transacted at a general meeting unless a quorum of Members is present which shall include those Members not present in person. Unless amended by Extraordinary Resolution, a quorum shall be 3 Members or 50% of the membership, whichever is the greater.

**Chairing General Meetings**

39. The chairperson of the Co-operative shall facilitate general meetings. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Members present shall choose one of their number to be the chairperson for that meeting.

**Attendance and Speaking at General Meetings**

40. A Member is able to exercise the right to speak at a general meeting and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a general meeting, it is immaterial whether any two or more Members attending are in the same place as each other, provided that they are able to communicate with each other.

41. The chairperson of the meeting may permit other persons who are not Members of the Co-operative to attend and speak at general meetings, without granting any voting rights.
Adjourment

42. If a quorum is not present within half an hour of the time the general meeting was due to commence, or if during a meeting a quorum ceases to be present, the chairperson must adjourn the meeting. If within half an hour of the time the adjourned meeting was due to commence a quorum is not present, the Members present shall constitute a quorum.

43. The chairperson of a general meeting may adjourn the meeting whilst a quorum is present if:

(a) The meeting consents to that adjournment; or

(b) It appears to the chairperson that an adjournment is necessary to protect the safety of any persons attending the meeting or to ensure that the business of the meeting is conducted in an orderly manner.

44. The chairperson must adjourn the meeting if directed to do so by the meeting.

45. When adjourning a meeting the chairperson must specify the date, time and place to which it will stand adjourned or that the meeting is to continue at a date, time and place to be fixed by the Directors.

46. If the meeting is adjourned for 14 days or more, at least 7 Clear Days’ notice of the adjourned meeting shall be given in the same manner as the notice of the original meeting.

47. No business shall be transacted at an adjourned meeting other than business which could properly have been transacted at the meeting if the adjournment had not taken place.

Voting

48. In accordance with the Co-operative Principle of democratic member control, each Member shall have one vote on any question to be decided in general meeting.

49. A resolution put to the vote at a general meeting shall be decided on a show of hands unless a paper ballot is demanded in accordance with these Rules. A declaration by the chairperson that a resolution has on a show of hands been carried or lost with an entry to that effect recorded in the minutes of the general meeting shall be conclusive evidence of the result. Proportions or numbers of votes in favour for or against need not be recorded.

50. In the case of an equality of votes, whether on a show of hands or a poll, the chairperson shall not have a second or casting vote and the resolution shall be deemed to have been lost.

Paper Ballot

51. A paper ballot on a resolution may be demanded before or on the declaration of the result of the show of hands by three Members at a general meeting.
52. If a paper ballot is duly demanded it shall be taken in such a manner as the chairperson directs, provided that no Member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.

53. The demand for a paper ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a paper ballot may be withdrawn.

Resolutions

54. Decisions at general meetings shall be made by passing resolutions:

(a) The following decisions must be made by Extraordinary Resolution:

(i) Decisions to expel Members;

(ii) Decisions to dispose of assets of the Co-operative equivalent in value to one-third of the Co-operative’s last published balance sheet, as detailed in these Rules;

(iii) Any amendment to the Co-operative’s Rules;

(iv) The decision to wind up the Co-operative.

(b) All other decisions shall be made by ordinary resolution.

55. An Extraordinary Resolution is one passed by a majority of not less than 75% of votes cast at a general meeting and an ordinary resolution is one passed by a simple majority (51%) of votes cast.

56. Resolutions may be passed at general meetings or by written resolution. A written resolution may consist of several identical Documents signed by one or more Members.

DIRECTORS

57. The Co-operative shall have a Board of Directors comprising not less than three Directors.

58. The initial Directors of the Co-operative from registration until the first annual general meeting shall be appointed by the Founder Members.

59. Only Members of the Co-operative who are aged 18 years or more may serve on the Board of Directors.

Collective Management

60. Subject to those Directors appointed for the purposes of registration, all Members of the Co-operative shall also be Directors. Upon becoming a Member of the Co-operative a person shall be appointed to the Board of Directors and if a person ceases to hold office as a Director they will also cease to be a Member of the Co-operative.
Board Education and Training

61. In accordance with the Co-operative Principle of education, training and information, before accepting a position as Director an individual must agree to undertake training during their first year of office as deemed appropriate by the Co-operative. This training will include information on the roles and responsibilities of being a Director of a society which is also a co-operative.

Powers and Duties of the Board of Directors

62. The business of the Co-operative shall be managed by the Board who may exercise all such powers of the Co-operative as may be exercised and done by the Co-operative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in general meeting.

63. All decisions made by a meeting of the Board of Directors or by any person acting as a Director shall remain valid even if it is later discovered that there was some defect in the Director's appointment or that the individual had previously been disqualified from acting as a Director.

64. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Board shall from time to time direct.

65. Without prejudice to its general powers, the Board may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.

66. No Regulation made by the Co-operative in general meeting shall invalidate any prior act of the Board which would have been valid had that Regulation not been made.

67. In accordance with the Co-operative Principles of democratic member control and member economic participation, the Board of Directors shall not be entitled to sell or otherwise dispose of assets (in a single transaction or series of transactions) equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative without the approval of the Members by Extraordinary Resolution.

Delegation

68. Subject to these Rules, the Directors may delegate any of the powers which are conferred on them under these Rules to any Person or committee consisting of Members of the Co-operative, by such means, to such an extent, in relation to such matters and on such terms and conditions as they think fit.

69. The Directors may specify that any such delegation may authorise further delegation of the powers by any Person to whom they are delegated.

70. The Directors may revoke any delegation in whole or in part or alter any terms and conditions.
Sub-Committees

71. A sub-committee to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Rules which govern the taking of decisions by Directors.

72. The Directors may make Regulations for all or any sub-committees, provided that such Regulations are not inconsistent with these Rules.

73. All acts and proceedings of any sub-committee must be fully and promptly reported to the Directors.

PROCEEDINGS OF THE BOARD OF DIRECTORS

Calling a Meeting of the Board of Directors

74. Any Director may, and the Secretary on the requisition of a Director shall, call a meeting of the Board of Directors by giving reasonable notice of the meeting to all Directors. Notice of any meeting of the Board of Directors must indicate the date, time and place of the meeting and, if the directors participating in the meeting will not be in the same place, how they will communicate with each other.

Proceedings of a Meeting of the Board of Directors

75. The Board of Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

76. A Director is able to exercise the right to speak at a meeting of the Board of Directors and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a meeting of the Board of Directors to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a meeting of the Board of Directors, it is immaterial whether any two or more Directors attending are in the same place as each other.

77. Questions arising at any meetings of the Board shall be decided by a majority of votes. In the case of an equality of votes the status quo shall be maintained and the Board of Directors may choose to refer the matter to a general meeting of the Co-operative.

78. A written resolution, circulated to all Directors and signed by a simple majority (51%) of Directors, shall be valid and effective as if it had been passed at a Board meeting duly convened and held. A written resolution may consist of several identical Documents signed by one or more Directors.

79. The Board of Directors may, at its discretion, invite other persons to attend its meetings with or without speaking rights and without voting rights. Such attendees will not count toward the quorum.

Quorum

80. The quorum necessary for the transaction of business at a meeting of the Board of Directors shall be 50% of the Directors or 3 Directors, whichever is the greater and shall include those Directors not present in person.
81. If at any time the total number of Directors in office is less than the quorum required, the Directors are unable to take any decisions other than to appoint further Directors or to call a general meeting so as to enable the Members to appoint further Directors.

Chaining Board Meetings

82. The chairperson shall facilitate meetings of the Board of Directors. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Directors present shall choose one of their number to be the chairperson for that meeting.

Declaration of Interest

83. A Director shall declare an interest in any contract or matter in which s/he has a personal, material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter, provided that nothing shall prevent a Director voting in respect of her/his terms and conditions of employment or any associated matter.

Expenses

84. The Co-operative may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Co-operative.

Termination of a Director's Appointment

85. A person ceases to be a Director of the Co-operative as soon as:

(a) That person ceases to be a Member of the Co-operative;

(b) That person resigns from office in Writing to the Secretary of the Co-operative, and such resignation has taken effect in accordance with its terms;

(c) That person is removed from office by an ordinary resolution of the Co-operative in general meeting, the notices for which specified that the question of the Director's removal was to be considered;

(d) That person is prohibited from being a Director by law;

(e) A bankruptcy order is made against that person;

(f) A registered medical practitioner who is treating that person gives a written opinion to the Co-operative stating that the person has become mentally incapable of acting as a Director and may remain so for more than three months;

(g) By reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have.

OFFICERS
86. The Board shall elect from among their own number a chairperson and Secretary and such other Officers as they may from time to time decide. These Officers shall have such duties and rights as may be bestowed on them by the Board or by law and any Officer appointed may be removed by the Board. A serving Officer who is not re-elected to the Board at the annual general meeting shall nevertheless continue in office until the first Board meeting following the annual general meeting.

DISPUTES

87. In the event of a dispute between the Co-operative or its Board and a Member of the Co-operative or a former Member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute or in the absence of agreement to be nominated by the Secretary General of Co-operatives UK (or any role or body that succeeds to its function). The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the county court (or in Scotland, to the sheriff). Any Person bringing a dispute must, if so required, deposit with the Co-operative a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.

REGULATIONS

88. The Co-operative in a general meeting, or the Board of Directors, may from time to time make, adopt and amend such Regulations in the form of bye-laws, standing orders, secondary rules or otherwise as they think fit for the management, conduct and regulation of the affairs of the Co-operative and the proceedings and powers of the Board of Directors and sub-committees. Such Regulations (if any) shall be made available to all Members. No Regulation shall be made which is inconsistent with these Rules or the Act. All Members of the Co-operative and the Board of Directors shall be bound by such Regulations whether or not they have received a copy of them.

LIABILITY OF MEMBERS

89. The liability of a Member is limited to the amount of their shareholding.

APPLICATION OF PROFITS

90. Any profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the annual general meeting:

(a) To a general reserve for the continuation and development of the Co-operative;

(b) To paying dividends to Members, either equally or in accordance with some other equitable formula which recognises the relative contribution made by each Member to the business of the Co-operative;

(c) To making payment for social, co-operative or community purposes within the community served by the Co-operative.

AMALGAMATION, TRANSFER OF ENGAGEMENTS AND CONVERSION
91. The Co-operative may, by special resolution passed in the way required by the Act, amalgamate with or transfer its engagements to any other society. The Co-operative may also accept a transfer of engagements and assets by resolution of the Board or of a general meeting.

92. The Co-operative may, by special resolution passed in the way required by s52(3) of the Act, amalgamate with or transfer its engagements to a company or convert itself into a company under the provisions of the Act. In relation to calling a general meeting for the purpose of such resolution, the following provisions shall apply.

(a) The Co-operative shall give to Members not less than two months' notice of the meeting;

(b) Notice of the meeting shall be posted in a prominent place at the registered office and at all trading premises of the Co-operative to which Members have access;

(c) The notice shall be accompanied by a separate statement setting out for Members:

(i) the reasons for the proposal;

(ii) whether the proposal has the support of the Board of the Co-operative;

(iii) what alternative proposals have been considered, and whether they are viable;

(iv) details of the number of shares in the Co-operative held by Members of the Board, and Persons connected with them;

(v) a recommendation by reputable independent financial advisors that the Members should support the proposal rather than any alternative proposal.

(d) Where the separate statement is contained in another Document, information shall be provided in the notice specifying where Members can obtain a copy of the Document.

(e) The quorum for a meeting at which a special resolution to amalgamate with, transfer engagements to or convert into a company is to be voted upon shall be 150 Members or 50% of the Members present in person, whichever is the greater, subject to an absolute minimum of three Members.

Dissolution

93. The Co-operative may be dissolved by the consent of three quarters of the Members by their signatures to an instrument of dissolution, or by winding up in a manner provided for by the Act.

Common Ownership

94. The Co-operative is a common ownership enterprise. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its
liabilities are satisfied, these assets shall not be distributed among the Members, but shall be transferred to some other common ownership co-operative(s), or to Co-operatives UK (or any body that succeeds to its function). If such residual assets cannot be distributed in this manner they shall be transferred to some other organisation(s) whose purpose is to promote and support the co-operative movement and common ownership enterprises. This rule may only be amended by Extraordinary Resolution.

ADMINISTRATIVE ARRANGEMENTS

Means of Communication

95. A Member may provide their consent to receive communications from the Co-operative by Electronic Means.

96. A notice sent to a Director’s Address shall be deemed to have been duly served 48 hours after its posting. A Director may agree with the Co-operative that notices or documents sent to her/him in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Seal

97. If the Co-operative has a seal, it shall only be used by the authority of the Board of Directors acting on behalf of the Co-operative. Every instrument to which the seal shall be attached shall be signed by a Director and countersigned by a second Director or the Secretary.

Registers

98. The Board of Directors shall ensure accurate registers are maintained which shall include a register of Members, a register of Directors and a register of Officers.

Register of Members

99. The Board shall ensure that the register is maintained in accordance with the Act and that the particulars required by the Act are available for inspection and accessible without the need to disclose other particulars contained in the register.

Register of Directors and Officers

100. The Co-operative shall maintain a register of Directors and Officers which shall include the following particulars:

(a) Name of the Director;
(b) Address of the Director;
(c) The date on which they assumed office;
(d) The date on which they vacated office; and
(e) The position held by a Director if s/he is also an Officer and the date on which the Director assumed and vacated his/her Officer position.

Amendments to Rules

101. Any of these Rules may be rescinded or amended or a new rule made by an Extraordinary Resolution at a general meeting of which 14 Clear Days' notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of Rules is valid until registered by the Registrar. When submitting the rule amendments for registration the Secretary may at their sole discretion accept any alterations required or suggested by the Registrar without reference back to a further general meeting of the Co-operative.

Copies of the Co-operative's Rules

102. A copy of these Rules and any amendments made to them shall be given free of charge to every Member upon admission to Membership and shall be provided to any other Person on demand and on payment of the statutory fee chargeable for the time being in force.

Minutes

103. The Co-operative shall ensure that minutes are kept of all:

(a) Proceedings at general meetings of the Co-operative; and

(b) Proceedings at meetings of the Board of Directors and its sub-committees which include names of the Directors present, decisions made and the reasons for those decisions.

Annual Return

104. Every year and within the period prescribed by the Act, the Secretary shall send the annual return in the prescribed form to the Registrar. The annual return shall be accompanied by:

(a) A copy of the Auditor's report on the Co-operative's accounts for the period covered by the annual return or a copy of such other report (if any) as is required by statute for such a period; and

(b) A copy of each balance sheet made during that period and report of the Auditor or other appropriate person as required by statute on that balance sheet.

105. The Co-operative shall on demand supply free of charge to any Member or any person with an interest in the funds of the Co-operative a copy of the latest annual return together with a copy of the Auditor's report on the accounts and balance sheet contained in the annual return and the Auditor's report (if any).

106. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding Auditor's report (if any) hung up in a conspicuous place at the registered office and displayed on the Co-operative's website (if any).
Audit

107. Unless the Co-operative meets the criteria set out in section 4(2) of the Friendly and Industrial and Provident Societies Act 1968 or fulfils the exemptions set out in subsections 4(A) (1) and (2) of the Friendly and Industrial and Provident Societies Act 1968, the Board shall in each financial year appoint an Auditor as required by section 7 of the Friendly and Industrial and Provident Societies Act 1965 as amended, to audit the Co-operative’s accounts and balance sheet for the year. This provision also applies if the Co-operative is in its first financial year.

108. The following persons shall not be appointed as Auditor of the Co-operative:

(a) An Officer or Employee of the Co-operative;

(b) A person who is a partner or employee of, or who employs, an Officer of the Co-operative.

109. The Board may appoint an Auditor to fill a casual vacancy occurring between general meetings.

110. An Auditor for the preceding financial year shall be re-appointed as Auditor of the Co-operative for the current financial year unless:

(a) A decision has been made by the Board to appoint a different Auditor or expressly decided that s/he shall not be re-appointed; or

(b) S/he has given notice in writing to the Secretary of her/his unwillingness to be re-appointed; or

(c) S/he is ineligible for appointment as Auditor of the Co-operative for the current financial year; or

(d) S/he has ceased to act as Auditor of the Co-operative by reason of incapacity.

111. Any ordinary resolution of a general meeting of the Co-operative either to remove an Auditor from office or to appoint another person as Auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least 28 days prior to the meeting at which the resolution is to be considered. At least 14 days’ notice of such resolution must then be given to Members of the Co-operative in the manner prescribed in these Rules and in Writing to the Auditor(s).

Social Accounting and Reporting

112. In addition to any financial accounts required by the Act, the Members may resolve to undertake an account of the activities of the Co-operative which will endeavour to measure its co-operative, social and environmental performance using whatever methodology the Members deem appropriate. Following the completion of such an account the Co-operative shall report any findings to its Members and other stakeholders.

Indemnity and Insurance
113. Subject to the following rule, any Director or former Director of the Co-operative may be indemnified out of the Co-operative’s assets against:

(a) Any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Co-operative;

(b) Any liability incurred by that Director in connection with the activities of the Co-operative in its capacity as a trustee of an occupational pension scheme;

(c) Any other liability incurred by that Director as an Officer of the Co-operative.

114. The above rule does not authorise any indemnity which would be prohibited or rendered void by any provision of law.

115. The Directors may decide to purchase and maintain insurance, at the expense of the Co-operative, for the benefit of any Director or former Director of the Co-operative in respect of any loss or liability which has been or may be incurred by such a Director in connection with their duties or powers in relation to the Co-operative or any pension fund or employees’ share scheme of the Co-operative.

<table>
<thead>
<tr>
<th>Signatures of Founder Members</th>
<th>Full Names of Founder Members in BLOCK CAPITALS (no Initials)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>IAN FITZPATRICK</td>
</tr>
<tr>
<td>2.</td>
<td>SIMON GARROD</td>
</tr>
<tr>
<td>3.</td>
<td>PHILLIP DACEY</td>
</tr>
</tbody>
</table>

Signature of Secretary

<table>
<thead>
<tr>
<th>Full Name of Secretary in BLOCK CAPITALS (no Initials)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIMON GARROD</td>
</tr>
</tbody>
</table>

- Accepted as a model by the Financial Services Authority 2011 v.1 -
Mutual Societies Application Form
Registering a new Industrial and Provident Society, or
Re-registering a Friendly Society as an Industrial and Provident Society, or
Converting a Company into an Industrial and Provident Society
Form

Full proposed name of society

Leeds Community Bakery Limited

Important information you should read before completing this form
You must use this form if you are:
• applying to register a society as a new Industrial and Provident society;
• re-registering a particular type of Friendly Society as an Industrial and Provident Society (please see notes for details); or
• converting a registered company into a registered Industrial and Provident society.

Please keep a copy of the form and the supporting documents for future reference.
The notes that accompany this form will help you complete the questions.
Please be aware that any personal details you give on the form will be placed on the society's file.
It is important to give accurate and complete information and disclose all relevant information. If you do not,
it may take us longer to assess your application.

Terms in this form
'FSA', 'us' and 'we' refer to the Financial Services Authority.
'You' refers to the person signing the form on behalf of the society.
The '1965 Act' is the Industrial and Provident Societies Act 1965.
Mutual Societies Application Form

Registering a New Industrial and Provident Society; or
Re-registering a Friendly Society as an Industrial and Provident Society; or
Converting a Company into an Industrial and Provident Society

Filling in the form

1. If you are using your computer to complete the form:
   - use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
   - print out the completed form and arrange for it to be signed by all relevant individuals.

2. If you are filling in the form by hand:
   - use black ink;
   - write clearly; and
   - arrange for it to be signed and dated by all relevant individuals.

3. If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4. If your
   - leave a question blank;
   - do not get the form signed; or
   - do not attach the required supporting information

without telling us why, we will have to treat the application as incomplete. This will increase the time taken to assess your application.

5. If there is not enough space on the form, you may need to use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6. Post this form and supporting documents to us at:
   Mutual Societies Registration
   The Financial Services Authority
   28 The North Colonnade
   Canary Wharf
   LONDON
   E14 5HS
Details of Registration

1 What are you applying to do?

☑ Register a new industrial and provident society

☐ Re-register a friendly society as an industrial and provident society

☐ Convert a registered company into a registered industrial and provident society

☐ Completed

☐ Completed

☐ Completed and Attached

☐ Completed and Attached

2 Details of the society that is currently registered under the Friendly Societies Act 1974

Name of current society (if re-registering)

Register number of society

3 Contact details for communications about this application

Name

Gerard Devlin

Position

Legal Officer

Full Address

Holyoake House, Hanover Street
Manchester, M60 0AS

Contact Telephone

0161 246 2982

Email Address

gerard.devlin@uk.coop

4 Does the society have any timing factors that it would like us to consider?

If the society wishes to be registered by a specific date, we will try to meet it. Please bear in mind we would like to be given 15 working days to examine each application.

5 You must attach the following:

Two printed copies of the proposed society's rules, both of which are signed at the end by three members and by the Secretary of the society.

☑ Attached

FSA • Mutals Registration of an Industrial and provident society (F) • Release 2 • August 2012
6 You must complete the following table indicating for the proposed society the appropriate rule number(s) in the column provided.

*Any references to the '1965 Act' below refer to the Industrial and Provident Societies Act 1965.*

<table>
<thead>
<tr>
<th>Matters to be provided for</th>
<th>Rule number(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of the society.</td>
<td>1</td>
</tr>
<tr>
<td>The objects of the society.</td>
<td>5</td>
</tr>
<tr>
<td>The registered office of the society to which all communications and notices to the society may be addressed.</td>
<td>2</td>
</tr>
<tr>
<td>The terms of admission of the members, including any society or company investing funds in the society under the provision of the 1965 Act.</td>
<td>14-20</td>
</tr>
<tr>
<td>The mode of holding meetings, the scale and right of voting, and the mode of making, altering or rescinding rules.</td>
<td>27-56, 101</td>
</tr>
<tr>
<td>The appointment and removal of a Committee of Management, (by the name of &quot;Board of Directors&quot;) and of managers or other officers, and their respective powers and remuneration.</td>
<td>57-73, 86</td>
</tr>
<tr>
<td>The maximum amount of interest in the shares of the society which may be held by any member otherwise than by virtue of Section 6(1) (a) (b) or (c) of the 1965 Act.</td>
<td>26</td>
</tr>
<tr>
<td>Whether the society may contract loans or receive money on deposit subject to the provisions of the said Act from members or others; and, if so, under what conditions, under what security, and to what limits of amount.</td>
<td>7-11</td>
</tr>
<tr>
<td>Whether the shares or any of them shall be transferable, the form of transfer and registration of the shares, and the consent of the committee thereto; whether the shares or any of them shall be withdrawable, and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society.</td>
<td>26</td>
</tr>
<tr>
<td>The audit of accounts by one or more auditors appointed by the society in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968.</td>
<td>107-111</td>
</tr>
<tr>
<td>Whether and, if so, how members may withdraw from the society, and provision for the claims of the representatives of deceased members or the trustees of the property of bankrupt members, or, in Scotland, members whose estate has been sequestrated, and for the payment of nominees.</td>
<td>21-25</td>
</tr>
<tr>
<td>The mode of application of profits.</td>
<td>90</td>
</tr>
<tr>
<td>If the society is to have a common seal, provision for its custody and use.</td>
<td>97</td>
</tr>
<tr>
<td>Whether and, if so, by what authority, and in what manner, any part of the society's funds may be invested.</td>
<td>13</td>
</tr>
</tbody>
</table>

*"please add the name of the Committee of Management – e.g. "The Board"*
7 Date of society's financial year end (dd/mm/yyyy)
If the society proposes to use a date other than the last day of the month in which the anniversary of its registration falls as its financial year end please indicate this date below, otherwise leave blank.

31/12/2013

3 Is membership of the new society required to obtain the benefits / facilities offered by it?
☐ Yes
☐ No

9 Type of industrial and provident society
☐ A bona fide co-operative society
☐ A benefit of the community society
Please explain how this is demonstrated by referring to appropriate rules of the society

Objects, 14-20 Membership, 48 Proceedings, 90 Application of Profits, 93-84
Discontinuation

If a bona fide co-operative society please continue to question 13.

Benefit of the community societies

10 Explain fully below how the activities of the society will benefit the community

Please specify below:

a.) The community that the society will benefit
b.) What activities the society will undertake to benefit that community and please include an explanation of how the society's surplus will be applied


c.) How the activities of the society will benefit the community


11 How will the society fund the activities of the society?
If the society proposes to issue withdrawable share capital, please state whether there will be any limit (apart from the statutory limit) on the subscription of individual members and state the limit that will be set.


12 Will the society have charitable objects?
☐ No ☐ Continue to question 13
☐ Yes ☐ Complete Appendix 1 ☐ Completed and Attached

FSA • Mutuals Registration of an industrial and provident society (F) • Release 2 • August 2012
13 Provide details of any close links which the society or any member of its committee has had, has, or intends to have, with any other society, charity, company or entity.

The following are regarded as evidence of a close link with another society, charity, company or other entity:

- any material contract or arrangement which it is anticipated that the society will enter into in order to undertake its business; and
- any directorships or senior positions held, or previously held within the last 5 years, by members of the committee in any other society, charity, company or entity.

If there are no close links to report write 'None' in the box below. Do not just leave the box blank.

None

Please use separate sheets of paper if you need more space. Please indicate how many separate sheets of paper you have used.

14 Have you used model rules provided by a sponsoring body?

☐ No  □ Continue to question 15

☐ Yes  □ The sponsoring body must complete the boxes below.

The information given in this form is correct to the best of my knowledge and belief. If the society is applying to register as a benefit of the community society, the applicant has satisfied us that the special reasons entered in question 10 for wishing to register as a society for the benefit of the community under the Industrial and Provident Societies Act 1965 are genuinely applicable to the business they propose to undertake.

<table>
<thead>
<tr>
<th>Name of the model being used</th>
<th>Worker Co-operative Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of sponsoring body</td>
<td>Co-operatives UK</td>
</tr>
<tr>
<td>Signature on behalf of sponsoring body</td>
<td>□ [Signature]</td>
</tr>
<tr>
<td>Date</td>
<td>03.10.2012</td>
</tr>
</tbody>
</table>

Registration fee

15 You must tick the relevant box below to confirm the fee submitted with your application

☐ £40   □ The society is using model rules with no changes
☐ £120  □ The society is using model rules with 1-6 changes
☐ £350  □ The society is using model rules with 7-10 changes
☐ £950  □ The society is using model rules with 11 or more changes
☐ £950  □ The society is not using model rules
☐ No fee □ This only applies to a friendly society re-registering as an industrial and provident society.

FSA • Mutuals Registration of an Industrial and Provident Society (F) • Release 2 • August 2012
You must pay the registration fee by cheque. It is not refundable (even if the society decides to withdraw its application).

How to pay
a. Make the cheque payable to the Financial Services Authority. We cannot accept post-dated cheques.
b. Write the name of the society on the back of the cheque.
c. Send the cheque with the application form. Member and Secretary details

16 You must arrange for three members and the Secretary of the society to complete the table below

<table>
<thead>
<tr>
<th>Members</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Simon Garrod</td>
</tr>
<tr>
<td>Address</td>
<td>20 A PROVIDENCE AVENUE</td>
</tr>
<tr>
<td></td>
<td>LEEDS LS6 2HN</td>
</tr>
<tr>
<td>Contact Number</td>
<td>07791936357</td>
</tr>
<tr>
<td>Signature</td>
<td>Signature</td>
</tr>
<tr>
<td>Date</td>
<td>21/9/2012</td>
</tr>
</tbody>
</table>

| Name    | Jan Fitzpatrick |
| Address | 19 SPRINGFIELD WAY |
|         | YO8 1HL, YORK |
| Contact Number | 07950481643 |
| Signature | Signature |
| Date    | 21/9/2012 |

| Name    | Phillip Dacey |
| Address | 13 WHARFEDALE GROVE |
|         | LEEDS LS72LG |
| Contact Number | 07791154255 |
| Signature | Signature |
| Date    | 21/9/12 |

<table>
<thead>
<tr>
<th>Secretary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
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</tr>
<tr>
<td>Date</td>
<td>21/9/2012</td>
</tr>
</tbody>
</table>
Details of Registration

Date of application

17 Date the application was submitted

| Date | 03.10.2012 |

End of form
Industrial and Provident Societies

Act 1965 Rules of

Leeds Community Bakery Limited

NAME

1. The name of the society shall be Leeds Community Bakery Limited.

REGISTERED OFFICE

2. The registered office of the society shall be at 13 Wharfedale Grove, Leeds, LS7 2LQ.

INTERPRETATIONS

3. In these rules:

"Address" means a postal address or, for the purposes of electronic communication, a fax number, email address or telephone number for receiving text messages;

"the Act" refers to the Industrial and Provident Societies Act 1965 or any Act or Acts amending or in substitution of it or them for the time being in force;

"Auditor" means a person eligible for appointment as a company Auditor under section 25 of the Companies Act 1989;

"The Board of Directors" or "Board" means all those persons appointed to perform the duties of Directors of the society;

"Board Meeting" includes, except where inconsistent with any legal obligation a physical meeting, a meeting held by electronic means and a meeting held by telephone;

"Clear Days" in relation to the period of notice does not include the day on which the meeting is to be held and the day on which the notice is handed to someone or left at their address, or the day on which it is sent, is in the process of being sent and is assumed to be delivered;

"Co-operative" means the above-named society;

"Co-operative Principles" are the principles defined in the International Co-operative Alliance Statement of Co-operative Identity. The principles are those of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for the community;
"Director" means a director of the Co-operative and includes any person occupying the position of director, by whatever name called;

“Document” includes, unless otherwise stated, any document sent or supplied in electronic form;

"Electronic Means" shall include, for example, email, video links and secure authenticated website transactions;

“Extraordinary Resolution” means, unless the context requires otherwise, those decisions requiring an Extraordinary Resolution as detailed under ‘Resolutions’ in these rules;

"Employee" means anyone over the age of 16 holding a contract of employment with the Co-operative to perform at least eight hours of work per week for the Co-operative;

"Founder Member" means a subscriber to these rules for the purposes of registration;

"Member" has the meaning as detailed under ‘Membership’ in these rules;

“Officer” has the meaning as detailed under ‘Officers’ in these rules;

"Registrar" means the Financial Services Authority (FSA) or any body that succeeds its function;

“Regulations” has the meaning as detailed under ‘Regulations’ in these rules;

"Rules" means these Rules;

"Secretary" means any person appointed to perform the duties of the Secretary of the Co-operative;

"Transferable" means shares that are transferable to another Person who also qualifies for membership of the Co-operative in accordance with these Rules;

"Withdrawable" means shares with the associated right for the Member to withdraw and receive in return the value of their shares from the Co-operative;

"Writing" means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied by Electronic Means or otherwise.

Purpose

4. The purpose of the Co-operative is to carry out its function as a co-operative and to abide by the internationally recognised co-operative values and principles of
co-operative identity as defined by the International Co-operative Alliance. This rule may only be amended by an Extraordinary Resolution.

OBJECTS

5. The objects of the Co-operative shall be to carry on the business as a co-operative and to carry on any other trade, business or service and in particular to:

(a) Increase consumption, availability, and knowledge of real bread by:
   (i) Producing real bread in a socially and environmentally responsible way
   (ii) Making our bread available to a wide range of people-
   (iii) Creating a ‘food hub’ where a range of small food businesses can realise their own visions while collaborating and supporting each other
   (iv) Offering food-based workshops and classes which empower people to develop their skills and improve their health.

(b) Provide an ethical and enjoyable livelihood and workplace to its employees.

POWERS

6. The Co-operative may do all such lawful things as may further the Co-operative’s objects and, in particular, may borrow or raise funds for any purpose and on behalf of its Members.

BORROWING

7. The Co-operative shall have the power to borrow money from its Members and others in order to further its objects providing that the amount outstanding at any one time shall not exceed £10,000,000.

8. The Co-operative shall have the power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock, debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or Persons or corporations having dealings with the Co-operative.

9. The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a building society or local authority, shall not exceed 5% per annum or 2% above the Co-operative Bank’s base rate at the commencement of the loan, whichever is the greater.

10. The Co-operative may receive from any Person, donations or loans free of interest in order to further its objects but shall not receive money on deposit.
Borrowing from Members

11. In accordance with the Co-operative Principle of member economic participation the interest paid by the Co-operative on money borrowed from Members shall not exceed such rate as is necessary to attract and retain the capital required to further the Co-operative’s objects and purpose.

FINANCIAL SERVICES AND MARKETS ACT 2000 ACTIVITY

12. For the avoidance of doubt the Co-operative shall not engage in any activity by virtue of any of these Rules that would require a permission from the Registrar to carry on that activity without first having applied for and obtained such permission.

INVESTMENT OF FUNDS

13. The Co-operative may invest any part of its funds in the manner set out in Section 31 of the Act.

MEMBERS

14. The first Members of the Co-operative will be the Founder Members. Only Employees may be Members of the Co-operative.

15. All Employees of the Co-operative may be admitted to membership of the Co-operative, except that the Co-operative in a general meeting may by a majority vote decide to exclude from membership:

(a) Newly appointed Employees during such reasonable probationary period as may be specified in their terms and conditions of employment;

(b) Employees working less than a prescribed number of hours per week (or per month);

provided that any such criteria for exclusion is applied equally to all Employees.

16. In accordance with the Co-operative Principle of voluntary and open membership, whilst the Co-operative shall undertake to encourage its Employees to become Members, membership must be voluntary and as a result cannot be a condition of employment.

Applications for Membership

17. No person shall be admitted into membership of the Co-operative unless that person has attained the age of 16, supports the aims of the Co-operative and has completed an application for membership which includes an application for at least one share in the Co-operative. Such an application form must be approved by the Directors and the Directors must approve each application for membership.
**Member Commitment**

18. All Members agree to attend general meetings and take an active interest in the operation and development of the Co-operative and its business. Members have a duty to respect the confidential nature of the business decisions of the Co-operative.

19. In accordance with the Co-operative Principle of education, training and information, the Co-operative shall provide potential Members with information about what the role of a Member is within the Co-operative and will provide training in the skills required to be a Member and to participate in the operation of the Co-operative.

20. The Co-operative shall provide ongoing education and training in co-operative values and principles and associated topics. The Co-operative shall support its Members by ensuring that general meetings are accessible and encourage participation.

**Termination of Membership**

21. A Member shall cease to be a Member of the Co-operative immediately that s/he:

   (a) Ceases to be in the employment of the Co-operative; or

   (b) Fails to hold the minimum shareholding; or

   (c) Resigns in Writing to the Secretary; or

   (d) Is expelled from membership in accordance with these Rules; or

   (e) Dies.

**Expulsion from Membership**

22. A Member may be expelled for conduct prejudicial to the Co-operative by an Extraordinary Resolution, provided that the grounds for expulsion have been specified in the notices calling the meeting and that the Member whose expulsion is to be considered shall be given the opportunity to make representations to the meeting or, at the option of the Member, an individual who is there to represent them (who need not be a Member of the Co-operative) has been allowed to make representations to the general meeting.

23. If on due notice having been served the Member fails to attend the meeting the meeting may proceed in the Member’s absence.

   (a) An expelled Member shall be paid the nominal value of shares held by them at the time of expulsion;

   (b) No Member expelled from membership shall be re-admitted except by an Extraordinary Resolution.
**PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER**

24. Upon a claim being made by the personal representative of a deceased Member; or the trustee in bankruptcy of a Member who is bankrupt the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled or as the personal representative or trustee in bankruptcy may direct them.

25. A Member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a Member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the individual or individuals entitled thereunder.

**Share Capital**

26. The shares of the Co-operative shall be of the nominal value of £1 issued to persons upon admission to membership of the Co-operative. The shares shall be fully paid prior to issue, neither Transferable nor Withdrawable, shall carry no right to interest, dividend or bonus, and shall be forfeited and cancelled on cessation of membership from whatever cause, and the amount paid up on such cancelled shares shall become the property of the Co-operative. Each Member shall hold one share only in the Co-operative.

**GENERAL MEETINGS**

27. The Co-operative shall, within six months of the end of the financial year, hold a general meeting of the Members as its annual general meeting and shall specify the meeting as such in the notice calling it.

28. The business of an annual general meeting shall comprise, where appropriate:

(a) The receipt of the accounts and balance sheet and of the reports of the Board and Auditor (if any);

(b) The appointment of an Auditor, if required;

(c) The election of the Board or the results of the election if held previously by ballot;

(d) The application of profits;

(e) The transaction of any other business included in the notice convening the meeting.

29. In accordance with the Co-operative Principle of democratic member control, the
Co-operative shall ensure that, in addition to the annual general meeting, at least four other general meetings are held annually. The purpose of these meetings is to ensure that Members are given the opportunity to participate in the decision making process of the Co-operative, review the business planning and management processes and to ensure the Co-operative manages itself in accordance with the co-operative values and principles.

**Calling a General Meeting**

30. The Secretary, at the request of the Board of Directors may convene a general meeting of the Co-operative. The purpose of the general meeting shall be stated in the notice of the meeting.

31. The Board of Directors upon an application signed by one-tenth of the total number of Members, or 100 Members, whichever is the lesser, delivered to the registered office of the Co-operative, shall convene a general meeting. The purpose of the general meeting shall be stated in the application for and notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting.

32. If within one month from the date of the receipt of the application the Board have not convened a general meeting to be held within six weeks of the application, any three Members of the Co-operative acting on behalf of the signatories to the application may convene a general meeting, and shall be reimbursed by the Co-operative for any costs incurred in convening such a meeting.

**Notices**

33. The Directors shall call the annual general meeting giving 14 Clear Days’ notice to all Members. All other general meetings shall be convened with at least 14 Clear Days’ notice but may be held at shorter notice if so agreed in Writing by 90% of the Members.

34. Notices of meetings shall either be given to Members personally or sent to them at their Address or alternatively, if so agreed by the Co-operative in general meeting, notices of general meetings may be displayed conspicuously at the registered office and in all other places of business of the Co-operative to which Members have access. Notices shall specify the date, time and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A general meeting shall not transact any business other than that specified in the notices calling the meeting.

35. A notice sent to a Member's Address shall be deemed to have been duly served 48 hours after its posting. The accidental omission to send any notice to or the non-receipt of any notice by any Person entitled to receive notice shall not invalidate the proceedings at the meeting.

36. All notices shall specify the date, time and place of the meeting along with the
general nature of business to be conducted and any proposed resolutions.

37. If the Co-operative has appointed an Auditor in accordance with these Rules they shall be entitled to attend general meetings of the Co-operative and to receive all notices of and communications relating to any general meeting which any Member of the Co-operative is entitled to receive. The Auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an Auditor.

Quorum

38. No business shall be transacted at a general meeting unless a quorum of Members is present which shall include those Members not present in person. Unless amended by Extraordinary Resolution, a quorum shall be 3 Members or 50% of the membership, whichever is the greater.

Chairing General Meetings

39. The chairperson of the Co-operative shall facilitate general meetings. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Members present shall choose one of their number to be the chairperson for that meeting.

Attendance and Speaking at General Meetings

40. A Member is able to exercise the right to speak at a general meeting and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a general meeting, it is immaterial whether any two or more Members attending are in the same place as each other, provided that they are able to communicate with each other.

41. The chairperson of the meeting may permit other persons who are not Members of the Co-operative to attend and speak at general meetings, without granting any voting rights.

Adjournment

42. If a quorum is not present within half an hour of the time the general meeting was due to commence, or if during a meeting a quorum ceases to be present, the chairperson must adjourn the meeting. If within half an hour of the time the adjourned meeting was due to commence a quorum is not present, the Members present shall constitute a quorum.

43. The chairperson of a general meeting may adjourn the meeting whilst a quorum is present if:

(a) The meeting consents to that adjournment; or
Co-operatives UK Worker Co-operative Model

(b) It appears to the chairperson that an adjournment is necessary to protect the safety of any persons attending the meeting or to ensure that the business of the meeting is conducted in an orderly manner.

44. The chairperson must adjourn the meeting if directed to do so by the meeting.

45. When adjourning a meeting the chairperson must specify the date, time and place to which it will stand adjourned or that the meeting is to continue at a date, time and place to be fixed by the Directors.

46. If the meeting is adjourned for 14 days or more, at least 7 Clear Days’ notice of the adjourned meeting shall be given in the same manner as the notice of the original meeting.

47. No business shall be transacted at an adjourned meeting other than business which could properly have been transacted at the meeting if the adjournment had not taken place.

Voting

48. In accordance with the Co-operative Principle of democratic member control, each Member shall have one vote on any question to be decided in general meeting.

49. A resolution put to the vote at a general meeting shall be decided on a show of hands unless a paper ballot is demanded in accordance with these Rules. A declaration by the chairperson that a resolution has on a show of hands been carried or lost with an entry to that effect recorded in the minutes of the general meeting shall be conclusive evidence of the result. Proportions or numbers of votes in favour for or against need not be recorded.

50. In the case of an equality of votes, whether on a show of hands or a poll, the chairperson shall not have a second or casting vote and the resolution shall be deemed to have been lost.

Paper Ballot

51. A paper ballot on a resolution may be demanded before or on the declaration of the result of the show of hands by three Members at a general meeting.

52. If a paper ballot is duly demanded it shall be taken in such a manner as the chairperson directs, provided that no Member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.

53. The demand for a paper ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a paper ballot may be withdrawn.
Resolutions

54. Decisions at general meetings shall be made by passing resolutions:

(a) The following decisions must be made by Extraordinary Resolution:

(i) Decisions to expel Members;

(ii) Decisions to dispose of assets of the Co-operative equivalent in value to one-third of the Co-operative’s last published balance sheet, as detailed in these Rules;

(iii) Any amendment to the Co-operative’s Rules;

(iv) The decision to wind up the Co-operative.

(b) All other decisions shall be made by ordinary resolution.

55. An Extraordinary Resolution is one passed by a majority of not less than 75% of votes cast at a general meeting and an ordinary resolution is one passed by a simple majority (51%) of votes cast.

56. Resolutions may be passed at general meetings or by written resolution. A written resolution may consist of several identical Documents signed by one or more Members.

DIRECTORS

57. The Co-operative shall have a Board of Directors comprising not less than three Directors.

58. The initial Directors of the Co-operative from registration until the first annual general meeting shall be appointed by the Founder Members.

59. Only Members of the Co-operative who are aged 18 years or more may serve on the Board of Directors.

Collective Management

60. Subject to those Directors appointed for the purposes of registration, all Members of the Co-operative shall also be Directors. Upon becoming a Member of the Co-operative a person shall be appointed to the Board of Directors and if a person ceases to hold office as a Director they will also cease to be a Member of the Co-operative.

Board Education and Training

61. In accordance with the Co-operative Principle of education, training and information, before accepting a position as Director an individual must agree to undertake training during their first year of office as deemed appropriate by the
Co-operative. This training will include information on the roles and responsibilities of being a Director of a society which is also a co-operative.

**Powers and Duties of the Board of Directors**

62. The business of the Co-operative shall be managed by the Board who may exercise all such powers of the Co-operative as may be exercised and done by the Co-operative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in general meeting.

63. All decisions made by a meeting of the Board of Directors or by any person acting as a Director shall remain valid even if it is later discovered that there was some defect in the Director’s appointment or that the individual had previously been disqualified from acting as a Director.

64. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Board shall from time to time direct.

65. Without prejudice to its general powers, the Board may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.

66. No Regulation made by the Co-operative in general meeting shall invalidate any prior act of the Board which would have been valid had that Regulation not been made.

67. In accordance with the Co-operative Principles of democratic member control and member economic participation, the Board of Directors shall not be entitled to sell or otherwise dispose of assets (in a single transaction or series of transactions) equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative without the approval of the Members by Extraordinary Resolution.

**Delegation**

68. Subject to these Rules, the Directors may delegate any of the powers which are conferred on them under these Rules to any Person or committee consisting of Members of the Co-operative, by such means, to such an extent, in relation to such matters and on such terms and conditions as they think fit.

69. The Directors may specify that any such delegation may authorise further delegation of the powers by any Person to whom they are delegated.

70. The Directors may revoke any delegation in whole or in part or alter any terms and conditions.
Sub-Committees

71. A sub-committee to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Rules which govern the taking of decisions by Directors.

72. The Directors may make Regulations for all or any sub-committees, provided that such Regulations are not inconsistent with these Rules.

73. All acts and proceedings of any sub-committee must be fully and promptly reported to the Directors.

PROCEEDINGS OF THE BOARD OF DIRECTORS

Calling a Meeting of the Board of Directors

74. Any Director may, and the Secretary on the requisition of a Director shall, call a meeting of the Board of Directors by giving reasonable notice of the meeting to all Directors. Notice of any meeting of the Board of Directors must indicate the date, time and place of the meeting and, if the directors participating in the meeting will not be in the same place, how they will communicate with each other.

Proceedings of a Meeting of the Board of Directors

75. The Board of Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

76. A Director is able to exercise the right to speak at a meeting of the Board of Directors and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a meeting of the Board of Directors to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a meeting of the Board of Directors, it is immaterial whether any two or more Directors attending are in the same place as each other.

77. Questions arising at any meetings of the Board shall be decided by a majority of votes. In the case of an equality of votes the status quo shall be maintained and the Board of Directors may choose to refer the matter to a general meeting of the Co-operative.

78. A written resolution, circulated to all Directors and signed by a simple majority (51%) of Directors, shall be valid and effective as if it had been passed at a Board meeting duly convened and held. A written resolution may consist of several identical Documents signed by one or more Directors.

79. The Board of Directors may, at its discretion, invite other persons to attend its meetings with or without speaking rights and without voting rights. Such attendees will not count toward the quorum.
Quorum

80. The quorum necessary for the transaction of business at a meeting of the Board of Directors shall be 50% of the Directors or 3 Directors, whichever is the greater and shall include those Directors not present in person.

81. If at any time the total number of Directors in office is less than the quorum required, the Directors are unable to take any decisions other than to appoint further Directors or to call a general meeting so as to enable the Members to appoint further Directors.

Chairing Board Meetings

82. The chairperson shall facilitate meetings of the Board of Directors. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Directors present shall choose one of their number to be the chairperson for that meeting.

Declaration of Interest

83. A Director shall declare an interest in any contract or matter in which s/he has a personal, material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter, provided that nothing shall prevent a Director voting in respect of her/his terms and conditions of employment or any associated matter.

Expenses

84. The Co-operative may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Co-operative.

Termination of a Director’s Appointment

85. A person ceases to be a Director of the Co-operative as soon as:

(a) That person ceases to be a Member of the Co-operative;

(b) That person resigns from office in Writing to the Secretary of the Co-operative, and such resignation has taken effect in accordance with its terms;

(c) That person is removed from office by an ordinary resolution of the Co-operative in general meeting, the notices for which specified that the question of the Director's removal was to be considered;

(d) That person is prohibited from being a Director by law;

(e) A bankruptcy order is made against that person;
(f) A registered medical practitioner who is treating that person gives a written opinion to the Co-operative stating that the person has become mentally incapable of acting as a Director and may remain so for more than three months;

(g) By reason of that person’s mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have.

OFFICERS

86. The Board shall elect from among their own number a chairperson and Secretary and such other Officers as they may from time to time decide. These Officers shall have such duties and rights as may be bestowed on them by the Board or by law and any Officer appointed may be removed by the Board. A serving Officer who is not re-elected to the Board at the annual general meeting shall nevertheless continue in office until the first Board meeting following the annual general meeting.

DISPUTES

87. In the event of a dispute between the Co-operative or its Board and a Member of the Co-operative or a former Member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute or in the absence of agreement to be nominated by the Secretary General of Co-operatives UK (or any role or body that succeeds to its function). The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the county court (or in Scotland, to the sheriff). Any Person bringing a dispute must, if so required, deposit with the Co-operative a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.

REGULATIONS

88. The Co-operative in a general meeting, or the Board of Directors, may from time to time make, adopt and amend such Regulations in the form of bye-laws, standing orders, secondary rules or otherwise as they think fit for the management, conduct and regulation of the affairs of the Co-operative and the proceedings and powers of the Board of Directors and sub-committees. Such Regulations (if any) shall be made available to all Members. No Regulation shall be made which is inconsistent with these Rules or the Act. All Members of the Co-operative and the Board of Directors shall be bound by such Regulations whether or not they have received a copy of them.

LIABILITY OF MEMBERS

89. The liability of a Member is limited to the amount of their shareholding.
APPLICATION OF PROFITS

90. Any profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the annual general meeting:

(a) To a general reserve for the continuation and development of the Co-operative;

(b) To paying dividends to Members, either equally or in accordance with some other equitable formula which recognises the relative contribution made by each Member to the business of the Co-operative;

(c) To making payment for social, co-operative or community purposes within the community served by the Co-operative.

AMALGAMATION, TRANSFER OF ENGAGEMENTS AND CONVERSION

91. The Co-operative may, by special resolution passed in the way required by the Act, amalgamate with or transfer its engagements to any other society. The Co-operative may also accept a transfer of engagements and assets by resolution of the Board or of a general meeting.

92. The Co-operative may, by special resolution passed in the way required by s52(3) of the Act, amalgamate with or transfer its engagements to a company or convert itself into a company under the provisions of the Act. In relation to calling a general meeting for the purpose of such resolution, the following provisions shall apply.

(a) The Co-operative shall give to Members not less than two months’ notice of the meeting;

(b) Notice of the meeting shall be posted in a prominent place at the registered office and at all trading premises of the Co-operative to which Members have access;

(c) The notice shall be accompanied by a separate statement setting out for Members:

(i) the reasons for the proposal;

(ii) whether the proposal has the support of the Board of the Co-operative;

(iii) what alternative proposals have been considered, and whether they are viable;

(iv) details of the number of shares in the Co-operative held by Members of the Board, and Persons connected with them;

(v) a recommendation by reputable independent financial advisors
that the Members should support the proposal rather than any alternative proposal.

(d) Where the separate statement is contained in another Document, information shall be provided in the notice specifying where Members can obtain a copy of the Document.

(e) The quorum for a meeting at which a special resolution to amalgamate with, transfer engagements to or convert into a company is to be voted upon shall be 150 Members or 50% of the Members present in person, whichever is the greater, subject to an absolute minimum of three Members.

**Dissolution**

93. The Co-operative may be dissolved by the consent of three quarters of the Members by their signatures to an instrument of dissolution, or by winding up in a manner provided for by the Act.

**Common Ownership**

94. The Co-operative is a common ownership enterprise. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the Members, but shall be transferred to some other common ownership co-operative(s), or to Co-operatives UK (or any body that succeeds to its function). If such residual assets cannot be distributed in this manner they shall be transferred to some other organisation(s) whose purpose is to promote and support the co-operative movement and common ownership enterprises. This rule may only be amended by Extraordinary Resolution.

**Administrative Arrangements**

**Means of Communication**

95. A Member may provide their consent to receive communications from the Co-operative by Electronic Means.

96. A notice sent to a Director’s Address shall be deemed to have been duly served 48 hours after its posting. A Director may agree with the Co-operative that notices or documents sent to her/him in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

**Seal**

97. If the Co-operative has a seal, it shall only be used by the authority of the Board of Directors acting on behalf of the Co-operative. Every instrument to which the seal shall be attached shall be signed by a Director and countersigned by a second Director or the Secretary.
Registers

98. The Board of Directors shall ensure accurate registers are maintained which shall include a register of Members, a register of Directors and a register of Officers.

Register of Members

99. The Board shall ensure that the register is maintained in accordance with the Act and that the particulars required by the Act are available for inspection and accessible without the need to disclose other particulars contained in the register.

Register of Directors and Officers

100. The Co-operative shall maintain a register of Directors and Officers which shall include the following particulars:

(a) Name of the Director;
(b) Address of the Director;
(c) The date on which they assumed office;
(d) The date on which they vacated office; and
(e) The position held by a Director if s/he is also an Officer and the date on which the Director assumed and vacated his/her Officer position.

Amendments to Rules

101. Any of these Rules may be rescinded or amended or a new rule made by an Ordinary Resolution at a general meeting of which 14 Clear Days’ notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of Rules is valid until registered by the Registrar. When submitting the rule amendments for registration the Secretary may at their sole discretion accept any alterations required or suggested by the Registrar without reference back to a further general meeting of the Co-operative.

Copies of the Co-operative’s Rules

102. A copy of these Rules and any amendments made to them shall be given free of charge to every Member upon admission to Membership and shall be provided to any other Person on demand and on payment of the statutory fee chargeable for the time being in force.

Minutes

103. The Co-operative shall ensure that minutes are kept of all:
(a) Proceedings at general meetings of the Co-operative; and

(b) Proceedings at meetings of the Board of Directors and its sub-committees which include names of the Directors present, decisions made and the reasons for those decisions.

Annual Return

104. Every year and within the period prescribed by the Act, the Secretary shall send the annual return in the prescribed form to the Registrar. The annual return shall be accompanied by:

(a) A copy of the Auditor’s report on the Co-operative’s accounts for the period covered by the annual return or a copy of such other report (if any) as is required by statute for such a period; and

(b) A copy of each balance sheet made during that period and report of the Auditor or other appropriate person as required by statute on that balance sheet.

105. The Co-operative shall on demand supply free of charge to any Member or any person with an interest in the funds of the Co-operative a copy of the latest annual return together with a copy of the Auditor’s report on the accounts and balance sheet contained in the annual return and the Auditor’s report (if any).

106. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding Auditor’s report (if any) hung up in a conspicuous place at the registered office and displayed on the Co-operative’s website (if any).

Audit

107. Unless the Co-operative meets the criteria set out in section 4(2) of the Friendly and Industrial and Provident Societies Act 1968 or fulfils the exemptions set out in sub- sections 4(A) (1) and (2) of the Friendly and Industrial and Provident Societies Act 1968, the Board shall in each financial year appoint an Auditor as required by section 7 of the Friendly and Industrial and Provident Societies Act 1965 as amended, to audit the Co-operative’s accounts and balance sheet for the year. This provision also applies if the Co-operative is in its first financial year.

108. The following persons shall not be appointed as Auditor of the Co-operative:

(a) An Officer or Employee of the Co-operative;

(b) A person who is a partner or employee of, or who employs, an Officer of the Co-operative.

109. The Board may appoint an Auditor to fill a casual vacancy occurring between
10.  An Auditor for the preceding financial year shall be re-appointed as Auditor of the Co-operative for the current financial year unless:

(a)  A decision has been made by the Board to appoint a different Auditor or expressly decided that s/he shall not be re-appointed; or

(b)  S/he has given notice in writing to the Secretary of her/his unwillingness to be re-appointed; or

(c)  S/he is ineligible for appointment as Auditor of the Co-operative for the current financial year; or

(d)  S/he has ceased to act as Auditor of the Co-operative by reason of incapacity.

111.  Any ordinary resolution of a general meeting of the Co-operative either to remove an Auditor from office or to appoint another person as Auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least 28 days prior to the meeting at which the resolution is to be considered. At least 14 days' notice of such resolution must then be given to Members of the Co-operative in the manner prescribed in these Rules and in Writing to the Auditor(s).

Social Accounting and Reporting

112.  In addition to any financial accounts required by the Act, the Members may resolve to undertake an account of the activities of the Co-operative which will endeavour to measure its co-operative, social and environmental performance using whatever methodology the Members deem appropriate. Following the completion of such an account the Co-operative shall report any findings to its Members and other stakeholders.

Indemnity and Insurance

113.  Subject to the following rule, any Director or former Director of the Co-operative may be indemnified out of the Co-operative’s assets against:

(a)  Any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Co-operative;

(b)  Any liability incurred by that Director in connection with the activities of the Co-operative in its capacity as a trustee of an occupational pension scheme;

(c)  Any other liability incurred by that Director as an Officer of the Co-operative.

114.  The above rule does not authorise any indemnity which would be
prohibited or rendered void by any provision of law.

115. The Directors may decide to purchase and maintain insurance, at the expense of the Co-operative, for the benefit of any Director or former Director of the Co-operative in respect of any loss or liability which has been or may be incurred by such a Director in connection with their duties or powers in relation to the Co-operative or any pension fund or employees’ share scheme of the Co-operative.

<table>
<thead>
<tr>
<th>Signatures of Founder Members</th>
<th>Full Names of Founder Members in BLOCK CAPITALS (no initials)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>IAN FITZPATRICK</td>
</tr>
<tr>
<td>2.</td>
<td>SIMON GARROD</td>
</tr>
<tr>
<td>3.</td>
<td>PHILIP DACEY</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Signature of Secretary</th>
<th>Full Name of Secretary in BLOCK CAPITALS (no initials)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>SIMON GARROD</td>
</tr>
</tbody>
</table>

- Accepted as a model by the Financial Services Authority 2011 v.1 -
Financial Services Authority
Form B
R/IP/RA/2
212s

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965
Acknowledgement of Registration of Society

Register No. 31273 R
Wharf Chambers Limited is this day registered under the Industrial and Provident Societies Act 1965.

Date: 02 June 2011

Financial Services Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS
Rules of

WHARF CHAMBERS LIMITED

(Registered under the Industrial and Provident Societies Acts 1965-1978)

NAME

1. The name of the Society (referred to in these Rules as “the Co-operative”) shall be Wharf Chambers Limited.

OBJECTS

2. The objects of the Co-operative shall be to carry on the business as a bona fide co-operative and to carry on any other trade, business or service as principals or agents which may seem to the Co-operative to be conducive to its interests generally.

In carrying out the above objects the Co-operative shall have regard to promoting the physical, emotional, mental and spiritual well-being of the community, especially those who participate in the activities of the Co-operative, and shall support, foster and promote the principles and practice of common ownership and co-operation in its own affairs and in society generally.

POWERS

3. The Co-operative shall have power to do all things necessary or expedient for the fulfilment of its objects and in particular:
   a) to establish and contribute to pension or superannuation schemes for any persons who are or have been employed by the Co-operative and their dependants;
   b) to make gifts to ex-employees of the Co-operative or their dependants in cases of hardship;
   c) to make gifts and donations for social or charitable purposes.

REGISTERED OFFICE

4. The Registered Office of the Co-operative shall be at:

Wharf Chambers, 23 Wharf Street, Leeds, LS2 7EQ

MEMBERSHIP

5. All persons aged sixteen years or over who are employees of the Co-operative (or of any subsidiary of the Co-operative) may be members, subject only to such probationary period not exceeding twelve months which may be in force.

6. Applications for membership shall be in such form as the Committee may from time to time direct and shall contain an application for one share in the Co-operative.

7. The Co-operative shall keep at its registered office a register of members in which the Secretary shall enter the following particulars:
   a) the name and address of every member;
   b) a statement that one share only is held by each member and that £1.00 has been paid, or agreed to be considered as paid, on each share;
   c) a statement of other property, whether in loans or otherwise, held by each member;
d) the date on which each member's name was entered in the register as a member and the date on which any member ceased to be a member;
e) the names and addresses of the Committee members and officers of the Co-operative, of the offices held by them respectively, and the dates on which they assumed and vacated office.

8. A copy of these Rules and any amendments made to them shall be given free of charge to every member upon admission to membership and shall be provided to any other person on demand and on payment of the statutory fee chargeable for the time being in force.

CESSATION OF MEMBERSHIP

9. A member shall cease to be a member if s/he:
a) ceases to be employed by the Co-operative (or of any subsidiary of the Co-operative) for any reason whatsoever; or
b) resigns in writing to the Secretary; or
c) dies; or
d) is expelled from membership in accordance with Rule 10.

10. A member may be expelled for conduct prejudicial to the Co-operative by a resolution carried by a majority of at least two-thirds of those members voting at a General Meeting of the Co-operative of which due notice has been given, provided that the grounds for expulsion have been specified in the notices calling the meeting and that the member whose expulsion is to be considered shall be given the opportunity to state her/his case to the meeting. If on due notice having been served the member fails to attend the meeting the meeting may proceed in the member's absence.

11. No member expelled from membership shall be re-admitted except by a resolution carried by a majority of at least two-thirds of those members voting at a General Meeting of which due notice has been given.

GENERAL MEETINGS

12. An Annual General Meeting shall be held within six months of the close of the financial year of the Co-operative, the business of which shall comprise:
a) The receipt of the accounts and balance sheet and of the reports of the Committee and auditor (if any);
b) The appointment of an auditor (subject to Rule 55);
c) The election of Committee members or the results of the election if held previously by ballot (subject to Rule 30);
d) The application of profits;
e) The transaction of any other business included in the notice convening the meeting.

13. All other General Meetings shall be called Special General Meetings.

14. A Special General Meeting shall be convened either upon an order of the Committee or at the request of three members of the Co-operative or ten per cent of the membership, whichever is the greater.

15. A General Meeting shall be convened by at least fourteen days' notice unless all members of the Co-operative agree to hold a General Meeting with shorter notice. Notices of meetings shall either be given to members personally or posted to them at their registered address or alternatively, if so agreed by the Co-operative in General Meeting, notices of General Meetings may be displayed conspicuously at the registered office and in any other places of business of the Co-operative to which members have access. Notices shall
specify the time, date and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A General Meeting shall not transact any business other than that specified in the notices calling the meeting.

16. A notice sent by post to a member's registered address shall be deemed to have been duly served forty-eight hours after its posting. The accidental omission to send any notice to or the non-receipt of any notice by any member shall not invalidate the proceedings at the meeting.

17. If the Co-operative has appointed an auditor in accordance with Rule 54 they shall be entitled to attend General Meetings of the Co-operative and to receive all notices of and communications relating to any General Meeting which any member of the Co-operative is entitled to receive. The auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an auditor.

PROCEEDINGS AT GENERAL MEETINGS

18. No person other than a member duly registered shall be entitled to vote on any question at a General Meeting. Every member shall hold one vote only. Votes may only be cast personally; proxy voting is not permitted. Except where otherwise specified by the Rules or by the Act, questions shall be resolved by a simple majority of votes cast.

19. No business shall be transacted at a General Meeting unless a quorum is present in person. Unless and until otherwise decided by the Co-operative in General Meeting, a quorum shall be one half or more of the members of the Co-operative.

20. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned until the same day in the next week at the same time and same place or otherwise as the Committee may direct, and all members shall be given such notice of the adjourned meeting as is practicable. The members present at a meeting so adjourned shall constitute a quorum.

21. The members present at a General Meeting shall choose one of their number present to be Chairperson of that meeting, whose function shall be to conduct the business of the meeting in an orderly manner.

22. The Chairperson may with the consent of any meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Where a meeting is adjourned for twenty-one days or more, notice of the adjourned meeting shall be given as in the case of the original meeting; otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

23. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a secret ballot is, before or on the declaration of the result of the show of hands, demanded by at least three members present. Unless a secret ballot be so demanded, a declaration by the Chairperson that a resolution has on a show of hands been carried or lost with an entry to that effect in the book containing the minutes of the proceedings of the Co-operative shall be conclusive evidence of the fact without proof of the number or proportions of the votes recorded in favour or against such resolution.

24. If a secret ballot is duly demanded it shall be taken in such a manner as the Chairperson directs, provided that no member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.
25. The demand for a secret ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a secret ballot may be withdrawn.

26. In the case of an equality of votes, whether on a show of hands or on a ballot, the Chairperson shall not have a second or casting vote and the resolution shall be deemed to be lost.

27. The Co-operative may invite other persons who are not members to attend General Meetings, with or without speaking rights and without voting rights.

AMENDMENTS TO RULES

28. Any of these rules may be rescinded or amended or a new rule made by a vote of three quarters of members of the Co-operative voting at a General Meeting of which fourteen clear days' prior notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of rules is valid until registered by the Financial Services Authority.

COMMITTEE OF MANAGEMENT

29. The Co-operative shall have a Committee of not more than fifteen and not less than three members. Only eligible members of the Co-operative may serve on the Committee. By "eligible members" are meant members aged eighteen years or over and who are not bankrupt or otherwise prohibited by law from acting as the director of a company or society.

30. For so long as the Co-operative has less than fifteen eligible members, the Co-operative in General Meeting may decide that all such eligible members shall be members of the Committee until the number of such members exceeds fifteen (or until such earlier time if the Co-operative should so decide), when the Co-operative shall commence electing Committee members. During a period when all eligible members of the Co-operative are also members of the Committee, Rules 12(c), 31, 32 and 33 shall not apply.

31. New Committee members shall be elected at or by ballot prior to the Annual General Meeting. Procedures for nominating and electing Committee members shall be established and may be amended by the Committee, provided that all eligible members are entitled to stand for election and all members are entitled to vote.

32. A Committee member shall, subject to Rule 37 below, hold office until the end of the next Annual General Meeting following her/his election. Retiring members shall be eligible for re-election at the Annual General Meeting at which they retire.

33. The Committee may co-opt any eligible member of the Co-operative to fill a casual vacancy within their body. A person so co-opted shall for all purposes be treated as a duly elected member of the Committee and shall serve until the end of the next Annual General Meeting following their co-option. A casual vacancy shall be deemed to exist if the number of Committee members should drop below the minimum prescribed in these Rules or below the number elected at the preceding Annual General Meeting.

34. In the event that the size of the Committee should drop below the minimum number of members prescribed in these Rules, the members of the Committee may act to increase their number or to call a General Meeting of the Co-operative, but for no other purpose.
35. A Committee member shall declare an interest in any contract or matter in which s/he has a personal material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter, provided that nothing shall prevent a member voting in respect of her/his terms and conditions of employment or any associated matter.

36. Any remuneration of Committee members shall only be in respect of services actually rendered to the Co-operative. Committee members may also be paid all reasonable expenses incurred by them in connection with the business of the Co-operative.

37. The office of Committee member shall be immediately vacated if s/he:
   a) resigns her/his office in writing to the Co-operative; or
   b) ceases to be a member of the Co-operative for any reason whatsoever; or
   c) is removed from office by a majority vote of the Co-operative in General Meeting, the notices for which specified that the question of the Committee member's removal was to be considered; or
   d) in the opinion of a majority of the Committee, fails to declare her/his interest in any contract as referred to in Rule 35; or
   e) is absent from three successive meetings of the Committee during a continuous period of twelve months without special leave of absence from the Committee and they decide that s/he has by reason of such absence vacated office; or
   f) becomes bankrupt or, in the opinion of a majority of the Committee, incapable on medical or psychological grounds of carrying out the functions of a Committee member.

OFFICERS

38. The Committee shall elect from among their own number a Treasurer and Secretary and such other honorary officers as they may from time to time decide. These honorary officers shall have such duties and rights as may be bestowed on them by the Committee or by statute and any officer appointed may be removed by the Committee. A serving officer who is not re-elected to the Committee at the Annual General Meeting shall nevertheless continue in office until the first Committee meeting following the Annual General Meeting.

POWERS AND DUTIES OF THE COMMITTEE

39. The business of the Co-operative shall be managed by the Committee who may pay all expenses of the formation of the Co-operative as they think fit and may exercise all such powers of the Co-operative as may be exercised and done by the Co-operative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in General Meeting, provided that any arrangement involving the disposal of assets equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative must be ratified by a General Meeting before such arrangement is entered into.

40. No regulation made by the Co-operative in General Meeting shall invalidate any prior act of the Committee which would have been valid had that regulation not been made.

41. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Committee shall from time to time direct.

42. Without prejudice to its general powers, the Committee may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.
PROCEDINGS AT COMMITTEE MEETINGS

43. The Committee may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The Secretary shall at the request of two or more Committee members summon a meeting of the Committee at any reasonable time by giving all Committee members reasonable notice of the date, time and venue for the meeting and the general nature of the business to be considered.

44. The quorum necessary for the transaction of business at a Committee meeting shall be one half of the members of the Committee.

45. At every Committee meeting the Committee members present shall elect one of their number to be Chairperson of the meeting whose function shall be to conduct the business of the meeting in an orderly manner.

46. The Committee shall cause proper minutes to be made of all the proceedings of the Co-operative, of the Committee and of any sub-committees. All such minutes shall be open to inspection by any member of Co-operative at all reasonable times provided that certain minutes relating to the personal affairs of Co-operative members and employees may be designated confidential and shall be available only to current members of the Committee.

47. Questions arising at Committee meetings shall be decided by a majority of votes of those present. In the event of a tied vote the Chairperson shall not have a second or casting vote and the resolution shall be deemed to be lost.

SHARE CAPITAL

48. The shares of the Co-operative shall be of the nominal value of £1.00 each issued to persons upon admission to membership of the Co-operative. The shares shall be neither transferable nor withdrawable, shall carry no right to interest, dividend or bonus, and shall be forfeited and cancelled on cessation of membership from whatever cause, and the amount paid up on such cancelled shares shall become the property of the Co-operative.

49. Each member shall hold one share only in the Co-operative.

BORROWING

50. The Co-operative shall have power to borrow money from its members and others for the purposes of the Co-operative providing that the amount outstanding at any one time shall not exceed £10,000,000.

51. The Co-operative shall have power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock, debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or persons or corporations having dealings with the Co-operative.

52. The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a Building Society or Local Authority shall not exceed 6½% per year or 3% above the base lending rate of The Co-operative Bank plc at the commencement of the loan, whichever is the higher.

53. The Co-operative may receive from any persons donations or loans free of interest towards its work but shall not receive money on deposit.
AUDITORS

54. Subject to rule 55 below the Co-operative shall appoint in each financial year an auditor qualified under section 7 of the Friendly and Industrial and Provident Societies Act 1968 to audit the Co-operative's accounts and balance sheet for the year.

55. The Co-operative shall (subject to Rule 56) be exempt from the obligation to appoint a qualified auditor if during the preceding financial year it met such criteria regarding low levels of income and/or expenditure or other factors as to qualify it for statutory exemption from the need to appoint qualified auditors.

56. The members of the Co-operative shall in general meeting vote every year to allow the Co-operative to apply the audit exemption. Such a resolution shall be deemed to have been passed if less than twenty per cent of the total number of votes cast are against the resolution and less than ten per cent of the members of the Co-operative cast their votes against the resolution.

57. None of the following persons shall be appointed as auditor of the Co-operative:
   a) __ an officer or employee of the Co-operative;
   b) __ a person who is a partner or employee of or who employs an officer of the Co-operative.

58. The first appointment of an auditor shall be made within three months of the registration of the Co-operative and shall be made by the Committee if no General Meeting is held within that time. The Committee may appoint an auditor to fill a casual vacancy occurring between General Meetings. Except as specified in these cases, every appointment of an auditor shall be made by a resolution of a General Meeting of the Co-operative.

59. An auditor for the preceding financial year shall be re-appointed as auditor of the Co-operative for the current financial year unless:
   a) a resolution has been passed at a General Meeting appointing someone else as auditor or providing expressly that s/he shall not be re-appointed; or
   b) s/he has given notice in writing to the Co-operative of her/his unwillingness to be re-appointed; or
   c) s/he is ineligible for appointment as auditor of the Co-operative for the current financial year; or
   d) s/he has ceased to act as auditor of the Co-operative by reason of incapacity.

60. Any resolution of a General Meeting of the Co-operative either to remove an auditor from office or to appoint another person as auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least twenty-eight days prior to the meeting at which the resolution is to be considered. At least fourteen days' notice of such resolution must then be given to members of the Co-operative in the manner prescribed in Rule 15 and in writing to the auditors.

ANNUAL RETURN

61. Every year and within the period prescribed by the Act, the Secretary shall send to the Financial Services Authority the annual return, in the form prescribed by the Financial Services Authority, relating to its affairs for the period required by the Act to be included in the return together with:
a) a copy of the report of the auditor on the Co-operative’s accounts for the period included in the return or a copy of such other report (if any) as is required by statute for such period; and
b) a copy of each balance sheet made during that period and of the report of the auditor or other appropriate person as required by statute on that balance sheet.

62. The Co-operative shall on demand supply free of charge to any member or any person with an interest in the funds of the Co-operative a copy of the latest annual return together with a copy of the auditor’s report on the accounts and balance sheet contained in the return.

63. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding auditor’s report hung up in a conspicuous place at the registered office.

PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER

64. Upon a claim being made by the personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Co-operative belonging to the deceased or bankrupt member, the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.

65. A member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.

APPLICATION OF PROFITS

66. The profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the Annual General Meeting:
   a) firstly, to a general reserve for the continuation and development of the Co-operative;
   b) secondly, in paying a bonus to members in some equitable proportion to their contribution to the business of the Co-operative at such rates, on such terms and in such manner as the meeting shall decide;
   c) thirdly, in making payments for social and charitable objects.

SEAL

67. If the Society has a seal it shall be kept in the custody of the Secretary and used only by the authority of the Committee of Management. Sealing shall be attested by the signature of two members of the Committee of Management or of one member of the Committee of Management and the Secretary for the time being. If the Society does not have seal, a document which would have previously required to be sealed, should be signed by a member of the Committee of Management and secretary or two members of the Committee of Management and accompanied by a written statement that the document has been executed by the society as if under common seal.

INVESTMENT OF FUNDS

68. The Co-operative may invest any part of its funds:
a) in the manner set out in Section 31 of the Industrial and Provident Societies Act 1965; and (without limitation of those powers)

b) upon the security of a written promise by the borrower to repay, in any society registered under the Act or any company registered under the Companies Act or Acts from time to time in force, being a society or company with limited liability.

**DISSOLUTION**

69. The Co-operative may be dissolved by the consent of three quarters of the members by their signatures to an instrument of dissolution, or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the members, but shall be transferred instead to some other common ownership enterprise(s), or to the Co-operative Movement or some other non-profit organisation(s) promoting and supporting co-operative and common ownership enterprises, as may be decided by the members at the time of or prior to the dissolution.

**DISPUTES**

70. In the event of a dispute between the Co-operative or its Committee and a member of the Co-operative or a former member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute. The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may with the consent of both parties be referred to the County Court (or in Scotland, to the Sheriff).

**INTERPRETATIONS**

71. In these Rules, "the Act" refers to the Industrial & Provident Societies Acts 1965 to 1978 or any Act or Acts amending or in substitution for them for the time being in force.

"Common ownership" shall have the meaning afforded to it in the Industrial Common Ownership Act 1976.

Signatures of Founder Members

1. [Signature]

2. [Signature]

3. [Signature]

4. Secretary: [Signature]

Full Names in BLOCK CAPITALS (no initials)

1. LOTTE SHAW

2. ROBERT HALLOWS

3. ELEANOR FELLOWS

4. ANDREW RANCE

- CO-OPERATIVES UK 1997 (amended 2002) -
Mutual Societies Application Form
Registering a new Industrial and Provident Society; or
Re-registering a Friendly Society as an Industrial and Provident Society; or
Converting a Company into an Industrial and Provident Society Form

Full proposed name of society
Wharf Chambers Limited

Important information you should read before completing this form
You must use this form if you are:
* applying to register a society as a new Industrial and Provident Society;
* re-registering a particular type of Friendly Society as an Industrial and Provident Society (please see notes for details); or
* converting a registered company into a registered Industrial and Provident Society.

Please keep a copy of the form and the supporting documents for future reference.
The notes that accompany this form will help you complete the questions.
Please be aware that any personal details you give on this form will be placed on the society’s file.
It is important you give accurate and complete information and disclose all relevant information. If you do not,
it may take us longer to assess your application.

Terms in this form
FSA, 'us' and 'we' refer to the Financial Services Authority.
You, 'refers to the person signing the form on behalf of the society.
The 1965 Act is the Industrial and Provident Societies Act 1965.
Mutual Societies Application Form

Registering a New Industrial and Provident Society; or
Re-registering a Friendly Society as an Industrial and Provident Society; or
Converting a Company into an Industrial and Provident Society

Form

Filling in the Form

1. If you are using your computer to complete the form:
   - use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question;
   - print out the completed form and arrange for it to be signed by all relevant individuals.

2. If you are filling in the form by hand:
   - use black ink;
   - write clearly;
   - arrange for it to be signed and dated by all relevant individuals.

3. If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4. If you:
   - leave a question blank;
   - do not sign the form;
   - do not attach the required supporting information

without telling us why, we will have to treat the application as incomplete. This will increase the time taken to assess your application.

5. If there is not enough space on the form, you may need to use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6. Post the form and supporting documents to us at
   Mutual Societies Registration,
   The Financial Services Authority,
   25 The North Colonnade
   Canary Wharf
   LONDON
   E14 5RS
Details of Registration

1 What are you applying to do?
- ☑ Register a new industrial and provident society
  Complete this form from question 3
  ☑ Completed
- ☐ Re-register a friendly society as an industrial and provident society
  Complete this form from question 2
  ☐ Completed and Attached
- ☐ Convert a registered company into a registered industrial and provident society
  Complete this form from question 3
  Complete Appendix 3
  ☐ Completed and Attached

2 Details of the society that is currently registered under the Friendly Societies Act 1974

Name of current society (if re-registering)

Register number of society

3 Contact details for communications about this application

Name
Gerard Devlin

Position
Co-operatives UK Legal Services

Full Address
Holyoake House, Hanover Street, Manchester,

Contact Telephone
0161 246 2900

Email Address
M60 0AS

4 Does the society have any timing factors that it would like us to consider?
If the society wishes to be registered by a specific date, we will try to meet it. Please bear in mind we would like to be given 15 working days to examine each application.

ASAP

5 You must attach the following:
Two printed copies of the proposed society's rules, both of which are signed at the end by three members and by the Secretary of the society.

☑ Attached
6 You must complete the following table indicating for the proposed society the appropriate rule number(s) in the column provided.

Any references to the '1965 Act' below refer to the Industrial and Provident Societies Act 1965.

<table>
<thead>
<tr>
<th>Matters to be provided for</th>
<th>Rule number(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of the society.</td>
<td>1</td>
</tr>
<tr>
<td>The objects of the society.</td>
<td>2</td>
</tr>
<tr>
<td>The registered office of the society to which all communications and notices to the society may be addressed.</td>
<td>4</td>
</tr>
<tr>
<td>The terms of admission of the members, including any society or company investing funds in the society under the provision of the 1965 Act.</td>
<td>5–9</td>
</tr>
<tr>
<td>The mode of holding meetings, the scale and right of voting, and the mode of making, altering or rescinding rules.</td>
<td>14–29</td>
</tr>
<tr>
<td>The appointment and removal of a Committee of Management, (by the name of * ) and of managers or other officers, and their respective powers and remuneration.</td>
<td>31–40</td>
</tr>
<tr>
<td>The maximum amount of interest in the shares of the society which may be held by any member otherwise than by virtue of Section 6(1) (a) (b) or (c) of the 1965 Act.</td>
<td>50</td>
</tr>
<tr>
<td>Whether the society may contract loans or receive money on deposit subject to the provisions of the said Act from members or others; and, if so, under what conditions, under what security, and to what limits of amount.</td>
<td>58</td>
</tr>
<tr>
<td>Whether the shares or any of them shall be transferable, the form of transfer and registration of the shares, and the consent of the committee thereon; whether the shares or any of them shall be withdrawable, and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society.</td>
<td>48–50</td>
</tr>
<tr>
<td>The audit of accounts by one or more auditors appointed by the society in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968.</td>
<td>57–63</td>
</tr>
<tr>
<td>Whether and, if so, how members may withdraw from the society, and provision for the claims of the representatives of deceased members or the trustees of the property of bankrupt members, or, in Scotland, members whose estate has been sequestrated, and for the payment of nominees.</td>
<td>11–13, 16 &amp; 68</td>
</tr>
<tr>
<td>The mode of application of profits.</td>
<td>69</td>
</tr>
<tr>
<td>If the society is to have a common seal, provision for its custody and use.</td>
<td>70</td>
</tr>
<tr>
<td>Whether and, if so, by what authority, and in what manner, any part of the society's funds may be invested.</td>
<td>71</td>
</tr>
</tbody>
</table>

*please add the name of the Committee of Management – e.g. 'The Board'
7 Date of society's financial year end (dd/mm/yyyy)
The society's proposed rules must not provide for a different date to the date entered below.

\[30 \text{ / } 04 \text{ / } 2012\]

If this date is between the 1 February and 30 August then you must state the reasons as to the preferred financial year end date.

| 8 Is membership of the new society required to obtain the benefits / facilities offered by it? |
|----------------------------------|---------------------------------------------|
| Yes                              | ☐                                           |
| ☐ No                             |                                             |

9 Type of industrial and provident society
- ☒ A bona fide co-operative society
- ☐ A benefit of the community society

Please explain how this is demonstrated by referring to appropriate rules of the society

<table>
<thead>
<tr>
<th>2 - objects</th>
<th>5 - membership</th>
<th>20 - one member one vote</th>
<th>67 - application of profits</th>
</tr>
</thead>
</table>

If a bona fide co-operative society please continue to question 13.

Benefit of the community societies

10 Explain fully below how the activities of the society will benefit the community

Please specify below:

a.) The community that the society will benefit
b.) What activities the society will undertake to benefit that community and please include an explanation of how the society's surplus will be applied


c.) How the activities of the society will benefit the community


11 How will the society fund the activities of the society?
If the society proposes to issue withdrawable share capital, please state whether there will be any limit (apart from the statutory limit) on the subscription of individual members and state the limit that will be set.


12 Will the society have charitable objects?
☐ No  " Continue to question 13
☐ Yes  Complete Appendix 1  ☐ Completed and Attached
13 Details of any close links which the society or any member of its committee has, or intends to have, with any society, company or authority
The following are regarded as evidence of a close link with another society, company or other entity:
- any material contract or arrangement which it is anticipated that the society will enter into in order to undertake its business; and
- any other directorships or senior positions held by members of the committee.

Please use separate sheets of paper if you need more space.
Please indicate how many separate sheets of paper you have used.

14 Have you used model rules provided by a sponsoring body?
☐ No  ✔ Continue to question 15
☐ Yes  ✔ The sponsoring body must complete the boxes below.

The information given in this form is correct to the best of my knowledge and belief. If the society is applying to register as a benefit of the community society, the applicant has satisfied us that the special reasons entered in question 10 for wishing to register as a society for the benefit of the community under the Industrial and Provident Societies Act 1965 are genuinely applicable to the business they propose to undertake.

<table>
<thead>
<tr>
<th>Name of the model being used</th>
<th>Co-operatives UK 'Worker Co-operative 1'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of sponsoring body</td>
<td>Co-operatives UK</td>
</tr>
<tr>
<td>Signature on behalf of sponsoring body</td>
<td>☑️</td>
</tr>
<tr>
<td>Date</td>
<td>dd/mm/yyyy</td>
</tr>
</tbody>
</table>

15 You must tick the relevant box below to confirm the fee submitted with your application
☐ £40  ✔ The society is using model rules with no changes
☐ £120  ✔ The society is using model rules with 1-6 changes
☐ £350  ✔ The society is using model rules with 7-10 changes
☐ £950  ✔ The society is using model rules with 11 or more changes
☐ £950  ✔ The society is not using model rules
☐ No fee  ✔ This only applies to a friendly society re-registering as an industrial and provident society.
You must pay the registration fee by cheque. It is not refundable (even if the society decides to withdraw its application)

How to pay
a. Make the cheque payable to the Financial Services Authority. We cannot accept post-dated cheques.
b. Write the name of the society on the back of the cheque.
c. Send the cheque with the application form. Member and Secretary details

You must arrange for three members and the Secretary of the society to complete the table below

**Members**

<table>
<thead>
<tr>
<th>Name</th>
<th>LOTTE SHAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>24 HALL GROVE</td>
</tr>
<tr>
<td></td>
<td>LEEDS</td>
</tr>
<tr>
<td></td>
<td>LS6 1NT</td>
</tr>
<tr>
<td>Contact Number</td>
<td>07812484003</td>
</tr>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>10.5.2011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>ELEANOR FELLows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>64 HAROLD TERRACE</td>
</tr>
<tr>
<td></td>
<td>LEEDS</td>
</tr>
<tr>
<td></td>
<td>LS6 1LD</td>
</tr>
<tr>
<td>Contact Number</td>
<td>07762268602</td>
</tr>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>10.5.2011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>ROBERT HALLOWES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>53 ASH GROVE</td>
</tr>
<tr>
<td></td>
<td>LEEDS</td>
</tr>
<tr>
<td></td>
<td>LS6 1AK</td>
</tr>
<tr>
<td>Contact Number</td>
<td>07960529250</td>
</tr>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>10.5.2011</td>
</tr>
</tbody>
</table>

**Secretary**

<table>
<thead>
<tr>
<th>Name</th>
<th>ANDREW Kaine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>53 ASH GROVE</td>
</tr>
<tr>
<td></td>
<td>LEEDS</td>
</tr>
<tr>
<td></td>
<td>LS6 1AK</td>
</tr>
<tr>
<td>Contact Number</td>
<td>07960359252</td>
</tr>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>10.5.2011</td>
</tr>
</tbody>
</table>

**Date of application**

Date the application was submitted

| Date | dd/mm/yy | 17.05.11 |

End of form
NAME

1. The name of the society shall be Three Bees Co-operative Limited.

REGISTERED OFFICE

2. The registered office of the society shall be at 85 Nicholas Road, Chorlton, Manchester, M21 9LS.

INTERPRETATIONS

3. In these rules:

"Address" means a postal address or, for the purposes of electronic communication, a fax number, email address or telephone number for receiving text messages;

"the Act" refers to the Industrial and Provident Societies Act 1965 or any Act or Acts amending or in substitution of it or them for the time being in force;

"Auditor" means a person eligible for appointment as a company auditor under section 25 of the Companies Act 1989;

"The Board of Directors" or "Board" means all those persons appointed to perform the duties of directors of the society;

"Board Meeting" includes, except where inconsistent with any legal obligation a physical meeting, a meeting held by electronic means and a meeting held by telephone;

"Clear Days" in relation to the period of notice does not include the day on which the meeting is to be held and the day on which the notice is handed to someone or left at their Address, or the day on which it is sent, is in the process of being sent and is assumed to be delivered;

"Co-operative" means the above-named society;

"Co-operative Principles" are the principles defined in the International Co-operative Alliance Statement of Co-operative Identity. The principles are those of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for the community;
"Director" means a director of the Co-operative and includes any person occupying the position of director, by whatever name called;

"Document" includes, unless otherwise stated, any document sent or supplied in electronic form;

"Electronic Means" shall include, for example, email, video links and secure authenticated website transactions;

"Employee" means anyone over the age of 16 holding a contract of employment with the Co-operative;

"Extraordinary Resolution" means, unless the context requires otherwise, those decisions requiring an Extraordinary Resolution as detailed under ‘Resolutions’ in these rules;

"Founder Member" means a subscriber to these rules for the purposes of registration;

"Member" has the meaning as detailed under ‘Membership’ in these rules;

"Office Holder" means a receiver, administrative receiver, liquidator, provisional liquidator or administrator of a Member of all or substantially all of the Member's assets;

"Officer" has the meaning as detailed under ‘Officers’ in these rules;

"Person" means, unless the context requires otherwise, a natural person, unincorporated body, firm, partnership, corporate body or the nominee of an unincorporated body, firm, partnership or corporate body;

"Registrar" means the Financial Services Authority (FSA) or any body that succeeds its function;

"Regulations" has the meaning as detailed under ‘Regulations’ in these rules;

"Rules" means these Rules;

"Secretary" means any person appointed to perform the duties of the Secretary of the Co-operative;

"Transferable" means shares that are transferable to another Person who also qualifies for membership of the Co-operative in accordance with these Rules;

"User" means those persons admitted into membership under these Rules that wish to use the services of the Co-operative and have agreed to pay any subscription or other sum due in respect of membership for the use of the Co-operative's services;

"Withdrawable" means shares with the associated right for the Member to
withdraw and receive in return the value of their shares from the Co-operative;

"Writing" means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied by Electronic Means or otherwise.

**Purpose**

4. The purpose of the Co-operative is to carry out its function as a co-operative and to abide by the internationally recognised co-operative values and principles of co-operative identity as defined by the International Co-operative Alliance. This rule may only be amended by an Extraordinary Resolution.

**OBJECTS**

5. The objects of the Co-operative shall be to carry on the business as a co-operative and to carry on any other trade, business or service and in particular to carry on any other trade, business or service, in particular those which aim to help the UK bee population.

**POWERS**

6. The Co-operative may do all such lawful things as may further the Co-operative’s objects and, in particular, may borrow or raise funds for any purpose and on behalf of its Members.

**BORROWING**

7. The Co-operative shall have the power to borrow money from its Members and others in order to further its objects providing that the amount outstanding at any one time shall not exceed £10,000,000.

8. The Co-operative shall have the power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock, debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or Persons having dealings with the Co-operative.

9. The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a building society or local authority, shall not exceed 5% per annum or 2% above the Co-operative Bank’s base rate at the commencement of the loan, whichever is the greater.

10. The Co-operative may receive from any Person donations or loans free of interest in order to further its objects but shall not receive money on deposit.

**Borrowing from Members**

11. In accordance with the Co-operative Principle of member economic
participation the interest paid by the Co-operative on money borrowed from Members shall not exceed such rate as is necessary to attract and retain the capital required to further the Co-operative’s objects and purpose.

**FINANCIAL SERVICES AND MARKETS ACT 2000 ACTIVITY**

12. For the avoidance of doubt the Co-operative shall not engage in any activity by virtue of any of these Rules that would require a permission from the Registrar to carry on that activity without first having applied for and obtained such permission.

**INVESTMENT OF FUNDS**

13. The Co-operative may invest any part of its funds in the manner set out in Section 31 of the Act.

**MEMBERS**

14. The first Members of the Co-operative will be the Founder Members. The Co-operative may admit to membership any individual, corporate body or nominee of an unincorporated body, firm or partnership that has paid or agreed to pay any subscription or other sum due in respect of membership and meets one of the criteria below.

**Membership criteria**

15. The criteria for membership that shall be applied by the Directors follows below.

**User Members**

16. Any regular user of the services of the Co-operative may be admitted into membership.

**Employee Members**

17. All Employees on taking up employment with the Co-operative may be admitted to membership, except that the Co-operative in a general meeting may by an ordinary resolution decide to exclude from membership:

(a) Newly appointed Employees during such reasonable probationary period as may be specified in their terms and conditions of employment;

(b) Employees working less than a prescribed number of hours per week (or per month);

provided that any such criteria for exclusion are applied equally to all Employees.

**Volunteer Members**
18. All Volunteers, volunteering on a regular basis for the Co-operative may be admitted to membership, except that the Co-operative in a general meeting may by an ordinary resolution decide to exclude from membership:

(a) New Volunteers during such reasonable probationary period as may be specified in their terms and conditions of appointment;

(b) Volunteers, volunteering for less than a prescribed number of hours per week (or per month);

provided that any such criteria for exclusion are applied equally to all Volunteers.

Consumer Members

19. Any regular customer of the co-operative may be admitted into membership.

20. In accordance with the Co-operative Principle of voluntary and open membership, whilst the Co-operative shall undertake to encourage its stakeholders to become Members, membership must be voluntary and as a result cannot be a condition of employment.

Applications for Membership

21. No natural person shall be admitted into membership of the Co-operative unless they have attained the age of 16. All those wishing to become a Member must support the objects of the Co-operative and complete an application for membership which shall include an application for at least one share in the Co-operative. Such an application form must be approved by the Directors and the Directors must approve each application for membership.

22. A corporate body which is a Member shall by resolution of its governing body appoint a representative who may during the continuance of her/his appointment be entitled to exercise all such rights and powers as the corporate body would exercise if it were an individual person. Each such corporate body Member shall supply notification in Writing to the Co-operative of its choice of representative.

Member Commitment

23. All Members agree to attend general meetings and take an active interest in the operation and development of the Co-operative and its business. Members have a duty to respect the confidential nature of the business decisions of the Co-operative.

24. In accordance with the Co-operative Principle of education, training and information, the Co-operative shall provide potential Members with information about what the role of a Member is within the Co-operative and will provide training in the skills required to be a Member and to participate in the operation of the Co-operative.
25. The Co-operative shall provide ongoing education and training in co-operative values and principles and associated topics. The Co-operative shall support its Members by ensuring that general meetings are accessible and encourage participation.

**Termination of Membership**

26. A Member shall cease to be a Member of the Co-operative immediately that they:

(a) Are no longer eligible for membership; or
(b) Fail to pay the annual subscription (if any) within 3 months of it falling due; or
(c) Fail to hold the minimum shareholding; or
(d) Resign in Writing to the Secretary; or
(e) Are expelled from membership in accordance with these Rules; or
(f) Die, are wound up or go into liquidation.

**Expulsion from Membership**

27. A Member may be expelled for conduct prejudicial to the Co-operative by an Extraordinary Resolution, provided that the grounds for expulsion have been specified in the notices calling the meeting and that the Member whose expulsion is to be considered shall be given the opportunity to make representations to the meeting or, at the option of the Member, an individual who is there to represent them (who need not be a Member of the Co-operative) has been allowed to make representations to the general meeting.

28. If on due notice having been served the Member fails to attend the meeting the meeting may proceed in the Member's absence.

(a) An expelled Member shall be paid the nominal value of shares held by them at the time of expulsion.
(b) No Member expelled from membership shall be re-admitted except by an Extraordinary Resolution.

**PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER**

29. Upon a claim being made by:

(a) The personal representative of a deceased Member; or
(b) The trustee in bankruptcy of a Member who is bankrupt; or
(c) The Office Holder to any property in the Co-operative belonging to such a Member, the Co-operative shall transfer or pay property to which the Office Holder has become entitled as the Office Holder
may direct them.

30. A Member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a Member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the individual or individuals entitled thereunder.

**Share Capital**

31. The shares of the Co-operative shall be of the nominal value of £1. The minimum shareholding required of a Member shall be defined as such number of fully paid shares as the Board may determine subject to the Act, or as may be required by a particular offer of shares, or, failing such determination or requirement, shall be one share.

32. A Member may apply for shares in tranches of shares which are smaller in number than the minimum shareholding, provided that any Member who does not achieve the minimum shareholding within 12 months of their first payment may, at the discretion of the Board, cease to be a Member. Any person ceasing to be a Member under this rule shall have the value of their shares as at the date on which they ceased to be a Member returned to them and the relevant shares shall be cancelled.

33. Applications for shares shall be made to the Board of the Co-operative who shall allot to Members, upon their admission, the share or shares for which they have applied provided that the total number of shares allotted to any Member shall not exceed the maximum shareholding permitted by law. Shares shall be paid for in full on allotment.

34. If a Member who is required to withdraw from membership under these Rules is unable to transfer their shares and the right to withdraw shares has been suspended, then the nominal value of their share capital shall be converted into loan stock upon such terms as may be agreed between the Board and the Member, or their personal representative or trustee in bankruptcy, provided that such agreement shall require the repayment of the loan within a period not exceeding three years.

35. Shares shall be Withdrawable only in accordance with the provisions of these Rules. Shares shall be non-Transferable except:

(a) on death or bankruptcy; or

(b) (in the case of an unincorporated organisation or partnership), on a change of nominee(s) and only to the new nominee(s).

**Withdrawal of share capital**
36. Shares may be withdrawn by Members upon giving three months’ notice to the Co-operative (though the Board retain sole discretion to return money paid for them) provided that:

(a) All withdrawals shall be paid in the order in which the notices were received by the Co-operative.

(b) A Member shall not be entitled to withdraw shares which would leave them with less than the minimum shareholding, unless they intend to terminate their membership of the Co-operative.

(c) The Board may waive the notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit.

(d) The Board may, at their sole discretion, suspend the right to withdraw either wholly or partially, and either indefinitely or for a fixed period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the Board suspends the right to withdraw. Where the suspension is for a fixed period, such period may be extended from time to time by the Board.

(e) During any period when the right of withdrawal has been suspended under the provision immediately above, the shares of deceased Members may, if the Board agree, be withdrawn by their personal representatives upon giving such notice as the Board may require.

(f) The amount to be paid to a Member on withdrawal shall be the amount paid up or credited on the shares to be withdrawn, except where the shares are subject to a reduction in their value in accordance with the provisions of these Rules.

(g) Interest shall be payable on any share in respect of which a notice of repayment has been given until the date of repayment.

37. Any share withdrawn in accordance with these Rules shall be cancelled.

38. Members may withdraw from the Co-operative by withdrawing all their shares in the Co-operative in accordance with these Rules or, if the right to withdraw has been suspended, by surrendering all their shares to the Co-operative. Upon such surrender the Board may at their discretion pay to the withdrawing Member the amount paid up or credited on the shares surrendered.

39. The Co-operative may deduct such reasonable sum to cover any administrative costs of withdrawal from the monies payable to a Member on the withdrawal of shares in the Co-operative.

Reduction in Share Values

40. If the Co-operative’s Auditors (or any independent qualified accountants appointed for this purpose by the Board) certify at any time that the aggregate
of the Co-operative’s liabilities plus the amount of its issued share capital exceeds its assets, then (unless in the meantime the excess has been removed) the Board may determine that the amount of this excess, or part of it, shall be apportioned among the Members in proportion to (but not beyond) the amount of the nominal value of the shares paid up and held by each Member. This apportionment shall be based on the value of the shares paid up and held by each Member at the close of business on the date of such determination. The value of shares held by each Member shall be reduced accordingly for the purposes of withdrawal of shares, provided that the value of shares held by any Member shall not be reduced below the minimum shareholding as specified in these Rules.

Lien on Shares and Right of Offset

41. The Co-operative shall have a lien on the shares of a Member for any debt due to it by the Member and may offset any sum standing to the Member’s credit with the Co-operative in or towards payment of such debt.

GENERAL MEETINGS

42. The Co-operative shall, within six months of the end of the financial year, hold a general meeting of the Members as its annual general meeting and shall specify the meeting as such in the notice calling it.

43. The business of an annual general meeting shall comprise, where appropriate:

(a) The receipt of the accounts and balance sheet and of the reports of the Board and Auditor (if any).

(b) The appointment of an Auditor, if required.

(c) The election of the Board or the results of the election if held previously by ballot.

(d) The application of profits.

(e) The transaction of any other business included in the notice convening the meeting.

44. In accordance with the Co-operative Principle of democratic member control, the Co-operative shall ensure that, in addition to the annual general meeting, at least four other general meetings are held annually. The purpose of these meetings is to ensure that Members are given the opportunity to participate in the decision making process of the Co-operative, review the business planning and management processes and to ensure the Co-operative manages itself in accordance with the co-operative values and principles.

Calling a General Meeting

45. The Secretary, at the request of the Board of Directors may convene a
general meeting of the Co-operative. The purpose of the general meeting shall be stated in the notice of the meeting.

46. The Board of Directors upon an application signed by one-tenth of the total number of Members, or 100 Members, whichever is the lesser, delivered to the registered office of the Co-operative, shall convene a general meeting. The purpose of the general meeting shall be stated in the application for and notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting.

47. If within one month from the date of the receipt of the application the Board have not convened a general meeting to be held within six weeks of the application, any three Members of the Co-operative acting on behalf of the signatories to the application may convene a general meeting, and shall be reimbursed by the Co-operative for any costs incurred in convening such a meeting.

Notices

48. The Directors shall call the annual general meeting giving 14 Clear Days’ notice to all Members. All other general meetings shall be convened with at least 14 Clear Days’ notice but may be held at shorter notice if so agreed in Writing by 90% of the Members.

49. Notices of meetings shall either be given to Members personally or sent to them at their Address or alternatively, if so agreed by the Co-operative in general meeting, notices of general meetings may be displayed conspicuously at the registered office and in all other places of business of the Co-operative to which Members have access. Notices shall specify the date, time and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A general meeting shall not transact any business other than that specified in the notices calling the meeting.

50. A notice sent to a Member's Address shall be deemed to have been duly served 48 hours after its posting. The accidental omission to send any notice to or the non-receipt of any notice by any Person entitled to receive notice shall not invalidate the proceedings at the meeting.

51. All notices shall specify the date, time and place of the meeting along with the general nature of business to be conducted and any proposed resolutions.

52. If the Co-operative has appointed an Auditor in accordance with these Rules they shall be entitled to attend general meetings of the Co-operative and to receive all notices of and communications relating to any general meeting which any Member of the Co-operative is entitled to receive. The Auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an Auditor.
Quorum

53. No business shall be transacted at a general meeting unless a quorum of Members is present, including those not present in Person. Unless amended by Extraordinary Resolution, a quorum shall be 3 Members or 10% of the membership, whichever is the greater.

Chairing General Meetings

54. The chairperson of the Co-operative shall facilitate general meetings. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Members present shall choose one of their number to be the chairperson for that meeting.

Attendance and Speaking at General Meetings

55. A Member is able to exercise the right to speak at a general meeting and is deemed to be in attendance when that Person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it including by Electronic Means. In determining attendance at a general meeting, it is immaterial whether any two or more Members attending are in the same place as each other, provided that they are able to communicate with each other.

56. The chairperson of the meeting may permit other persons who are not Members of the Co-operative to attend and speak at general meetings, without granting any voting rights.

Adjournment

57. If a quorum is not present within half an hour of the time the general meeting was due to commence, or if during a meeting a quorum ceases to be present, the chairperson must adjourn the meeting. If within half an hour of the time the adjourned meeting was due to commence a quorum is not present, the Members present shall constitute a quorum.

58. The chairperson of a general meeting may adjourn the meeting whilst a quorum is present if:

(a) The meeting consents to that adjournment; or

(b) It appears to the chairperson that an adjournment is necessary to protect the safety of any persons attending the meeting or to ensure that the business of the meeting is conducted in an orderly manner.

59. The chairperson must adjourn the meeting if directed to do so by the meeting.

60. When adjourning a meeting the chairperson must specify the date, time and place to which it will stand adjourned or that the meeting is to continue at a date, time and place to be fixed by the Directors.
61. If the meeting is adjourned for 14 days or more, at least 7 Clear Days’ notice of the adjourned meeting shall be given in the same manner as the notice of the original meeting.

62. No business shall be transacted at an adjourned meeting other than business which could properly have been transacted at the meeting if the adjournment had not taken place.

**Voting**

63. In accordance with the Co-operative Principle of democratic member control, each Member shall have one vote on any question to be decided in general meeting.

64. A resolution put to the vote at a general meeting shall be decided on a show of hands unless a paper ballot is demanded in accordance with these Rules. A declaration by the chair that a resolution has on a show of hands been carried or lost with an entry to that effect recorded in the minutes of the general meeting shall be conclusive evidence of the result. Proportions or numbers of votes in favour for or against need not be recorded.

65. In the case of an equality of votes, whether on a show of hands or a poll, the chairperson shall not have a second or casting vote and the resolution shall be deemed to have been lost.

**Paper Ballot**

66. A paper ballot on a resolution may be demanded before or on the declaration of the result of the show of hands by three Members at a general meeting.

67. If a paper ballot is duly demanded it shall be taken in such a manner as the chairperson directs, provided that no Member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.

68. The demand for a paper ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a paper ballot may be withdrawn.

**Resolutions**

69. Decisions at general meetings shall be made by passing resolutions:

(a) The following decisions must be made by Extraordinary Resolution:

(i) Decisions to expel Members;

(ii) Decisions to dispose of assets of the Co-operative equivalent in value to one-third of the Co-operative’s last published balance
sheet, as detailed in these Rules;

(iii) Any amendment to the Co-operative's Rules;

(iv) The decision to wind up the Co-operative.

(b) All other decisions shall be made by ordinary resolution.

70. An Extraordinary Resolution is one passed by a majority of not less than 75% of votes cast at a general meeting and an ordinary resolution is one passed by a simple majority (51%) of votes cast.

71. Resolutions may be passed at general meetings or by written resolution. A written resolution may consist of several identical Documents signed by one or more Members.

DIRECTORS

72. The Co-operative shall have a Board of Directors comprising not less than three Directors.

73. The initial Directors of the Co-operative from registration until the first annual general meeting shall be appointed by the Founder Members.

74. Only Members of the Co-operative who are aged 18 years or more may serve on the Board of Directors.

75. The Board of Directors shall be elected by and from the Co-operative's Members. The composition of the Board of Directors following the first annual general meeting shall be as follows:

(a) Not more than two User Members;

(b) Not more than four Employee and Volunteer Members;

(c) Not more than two Consumer Members.

76. The Board of Directors shall endeavour to ensure that its composition reflects the number of Members in each category, to maintain a representative balance. This shall be reviewed by the Directors from time to time.

Retirement Cycle

77. At the first annual general meeting all Directors shall stand down. At every subsequent annual general meeting one-third of the Board of Directors, or if their number is not a multiple of three then the number nearest to one-third, shall retire from office. The Directors to retire shall be the Directors who have been longest in office since their last election. Where Directors have held office for the same amount of time the Directors to retire shall be decided by lot. A retiring Director shall be eligible for re-election.
Co-opted individuals must be Members of the Co-operative and will hold office as Director only until the next annual general meeting.

Board Education and Training

80. In accordance with the Co-operative Principle of education, training and information, before accepting a position as Director an individual must agree to undertake training during their first year of office as deemed appropriate by the Co-operative. This training will include information on the roles and responsibilities of being a Director of a society which is also a co-operative.

Powers and Duties of the Board of Directors

81. The business of the Co-operative shall be managed by the Board who may exercise all such powers of the Co-operative as may be exercised and done by the Co-operative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in general meeting.

82. All decisions made by a meeting of the Board of Directors or by any person acting as a Director shall remain valid even if it is later discovered that there was some defect in the Director’s appointment or that the individual had previously been disqualified from acting as a Director.

83. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Board shall from time to time direct.

84. Without prejudice to its general powers, the Board may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.

85. No Regulation made by the Co-operative in general meeting shall invalidate any prior act of the Board which would have been valid had that Regulation not been made.

86. In accordance with the Co-operative Principles of democratic member control and member economic participation, the Board of Directors shall not be entitled to sell or otherwise dispose of assets (in a single transaction or series of
transactions) equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative without the approval of the Members by Extraordinary Resolution.

**Delegation**

87. Subject to these Rules, the Directors may delegate any of the powers which are conferred on them under these Rules to any Person or committee consisting of Members of the Co-operative, by such means, to such an extent, in relation to such matters and on such terms and conditions as they think fit.

88. The Directors may specify that any such delegation may authorise further delegation of the powers by any Person to whom they are delegated.

89. The Directors may revoke any delegation in whole or in part or alter any terms and conditions.

**Sub-Committees**

90. A sub-committee to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Rules which govern the taking of decisions by Directors.

91. The Directors may make Regulations for all or any sub-committees, provided that such Regulations are not inconsistent with these Rules.

92. All acts and proceedings of any sub-committee must be fully and promptly reported to the Directors.

**PROCEEDINGS OF THE BOARD OF DIRECTORS**

**Calling a Meeting of the Board of Directors**

93. Any Director may, and the Secretary on the requisition of a Director shall, call a meeting of the Board of Directors by giving reasonable notice of the meeting to all Directors. Notice of any meeting of the Board of Directors must indicate the date, time and place of the meeting and, if the Directors participating in the meeting will not be in the same place, how they will communicate with each other.

**Proceedings of a Meeting of the Board of Directors**

94. The Board of Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

95. A Director is able to exercise the right to speak at a meeting of the Board of Directors and is deemed to be in attendance when that person is in a position to communicate to all those attending the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a meeting of the Board of Directors to exercise their rights to speak or vote at it
including by Electronic Means. In determining attendance at a meeting of the Board of Directors, it is immaterial whether any two or more Directors attending are in the same place as each other.

96. Questions arising at any meetings of the Board shall be decided by a majority of votes. In the case of an equality of votes the status quo shall be maintained and the Board of Directors may choose to refer the matter to a general meeting of the Co-operative.

97. A written resolution, circulated to all Directors and signed by a simple majority (51%) of Directors, shall be valid and effective as if it had been passed at a Board meeting duly convened and held. A written resolution may consist of several identical Documents signed by one or more Directors.

98. The Board of Directors may, at its discretion, invite other persons to attend its meetings with or without speaking rights and without voting rights. Such attendees will not count toward the quorum.

Quorum

99. The quorum necessary for the transaction of business at a meeting of the Board of Directors shall be 50% of the Directors or 3 Directors, including those not present in person, whichever is the greater.

100. If at any time the total number of Directors in office is less than the quorum required, the Directors are unable to take any decisions other than to appoint further Directors or to call a general meeting so as to enable the Members to appoint further Directors.

Chairing Board Meetings

101. The chairperson shall facilitate meetings of the Board of Directors. If s/he is absent or unwilling to act at the time any meeting proceeds to business then the Directors present shall choose one of their number to be the chairperson for that meeting.

Declaration of Interest

102. A Director shall declare an interest in any contract or matter in which s/he has a personal, material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter, provided that nothing shall prevent a Director voting in respect of her/his terms and conditions of employment or any associated matter.

Expenses

103. The Co-operative may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Co-operative.
Termination of a Director’s Appointment

104. A person ceases to be a Director of the Co-operative as soon as:

(a) The organisation they are representing removes their endorsement of them;

(b) The organisation they are representing ceases to exist;

(c) That person is removed from office by an ordinary resolution of the Co-operative in general meeting, the notices for which specified that the question of the Director’s removal was to be considered;

(d) That person ceases to be a Member of the Co-operative (unless they are a co-opted external independent Director);

(e) That person is prohibited from being a Director by law;

(f) A bankruptcy order is made against that person;

(g) A registered medical practitioner who is treating that person gives a written opinion to the Co-operative stating that the person has become mentally incapable of acting as a Director and may remain so for more than three months;

(h) By reason of that person’s mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have.

OFFICERS

105. The Board shall elect from among their own number a chairperson and Secretary and such other Officers as they may from time to time decide. These Officers shall have such duties and rights as may be bestowed on them by the Board or by law and any Officer appointed may be removed by the Board. A serving Officer who is not re-elected to the Board at the annual general meeting shall nevertheless continue in office until the first Board meeting following the annual general meeting.

DISPUTES

106. In the event of a dispute between the Co-operative or its Board and a Member of the Co-operative or a former Member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute or in the absence of agreement to be nominated by the Secretary General of Co-operatives UK (or any role or body that succeeds to its function). The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the county court (or in Scotland, to the sheriff). Any Person bringing a dispute must, if so required, deposit with the Co-operative a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what
should be done with the deposit.

**REGULATIONS**

107. The Co-operative in a general meeting, or the Board of Directors, may from time to time make, adopt and amend such Regulations in the form of bye-laws, standing orders, secondary rules or otherwise as they think fit for the management, conduct and regulation of the affairs of the Co-operative and the proceedings and powers of the Board of Directors and sub-committees. Such Regulations (if any) shall be made available to all Members. No Regulation shall be made which is inconsistent with these Rules or the Act. All Members of the Co-operative and the Board of Directors shall be bound by such Regulations whether or not they have received a copy of them.

**LIABILITY OF MEMBERS**

108. The liability of a Member is limited to the amount of their shareholding.

**APPLICATION OF PROFITS**

109. Any profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the annual general meeting:

(a) To a general reserve for the continuation and development of the Co-operative;

(b) To paying interest on issued share capital at such rate or rates as determined by the Board from time to time, but not exceeding 5% per annum or 2% above the Co-operative Bank’s base rate, whichever is the greater;

(c) To paying dividends to Members, either equally or in accordance with some other equitable formula which recognises the relative contribution made by each Member to the business of the Co-operative;

(d) To making payment for social, co-operative or community purposes within the community served by the Co-operative.

**AMALGAMATION, TRANSFER OF ENGAGEMENTS AND CONVERSION**

110. The Co-operative may, by special resolution passed in the way required by the Act, amalgamate with or transfer its engagements to any other society. The Co-operative may also accept a transfer of engagements and assets by resolution of the Board or of a general meeting.

111. The Co-operative may, by special resolution passed in the way required by s52(3) of the Act, amalgamate with or transfer its engagements to a company or convert itself into a company under the provisions of the Act. In relation to calling a general meeting for the purpose of such resolution, the following provisions shall apply:
(a) The Co-operative shall give to Members not less than two months’ notice of the meeting.

(b) Notice of the meeting shall be posted in a prominent place at the registered office and at all trading premises of the Co-operative to which Members have access.

(c) The notice shall be accompanied by a separate statement setting out for Members:

(i) the reasons for the proposal;

(ii) whether the proposal has the support of the Board of the Co-operative;

(iii) what alternative proposals have been considered, and whether they are viable;

(iv) details of the number of shares in the Co-operative held by Members of the Board, and persons connected with them;

(v) a recommendation by reputable independent financial advisors that the Members should support the proposal rather than any alternative proposal.

(d) Where the separate statement is contained in another Document, information shall be provided in the notice specifying where Members can obtain a copy of the Document.

(e) The quorum for a meeting at which a special resolution to amalgamate with, transfer engagements to or convert into a company is to be voted upon shall be 150 Members or 50% of the Members present in Person, whichever is the greater, subject to an absolute minimum of three Members.

**DISSOLUTION**

112. The Co-operative may be dissolved by the consent of three quarters of the Members by their signatures to an instrument of dissolution, or by winding up in a manner provided for by the Act.

113. The Co-operative is a common ownership enterprise. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the Members, but shall be transferred to some other common ownership cooperative(s), or to Co-operatives UK (or any body that succeeds to its function). If such residual assets cannot be distributed in this manner they shall be transferred to some other organisation(s) whose purpose is to promote and support the co-operative movement and common ownership enterprises. This rule may only be amended by Extraordinary Resolution.
ADMINISTRATIVE ARRANGEMENTS

Means of Communication

114. A Member may provide their consent to receive communications from the Co-operative by Electronic Means.

115. A notice sent to a Director’s Address shall be deemed to have been duly served 48 hours after its posting. A Director may agree with the Co-operative that notices or Documents sent to her/him in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Seal

116. If the Co-operative has a seal, it shall only be used by the authority of the Board of Directors acting on behalf of the Co-operative. Every instrument to which the seal shall be attached shall be signed by a Director and countersigned by a second Director or the Secretary.

Registers

117. The Board of Directors shall ensure accurate registers are maintained which shall include a register of Members, a register of Directors and a register of Officers.

Register of Members

118. The Board shall ensure that the register is maintained in accordance with the Act and that the particulars required by the Act are available for inspection and accessible without the need to disclose other particulars contained in the register.

Register of Directors and Officers

119. The Co-operative shall maintain a register of Directors and Officers which shall include the following particulars:

(a) Name of the Director;
(b) Address of the Director;
(c) The date on which they assumed office;
(d) The date on which they vacated office; and
(e) The position held by a Director if s/he is also an Officer and the date on which the Director assumed and vacated his/her Officer position.

Amendments to Rules
120. Any of these Rules may be rescinded or amended or a new rule made by an Extraordinary Resolution at a general meeting of which 14 Clear Days' notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of Rules is valid until registered by the Registrar. When submitting the rule amendments for registration the Secretary may at their sole discretion accept any alterations required or suggested by the Registrar without reference back to a further general meeting of the Co-operative.

Copies of the Co-operative’s Rules

121. A copy of these Rules and any amendments made to them shall be given free of charge to every Member upon admission to membership and shall be provided to any other Person on demand and on payment of the statutory fee chargeable for the time being in force.

Minutes

122. The Co-operative shall ensure that minutes are kept of all:

(a) Proceedings at general meetings of the Co-operative; and

(b) Proceedings at meetings of the Board of Directors and its sub-committees which include names of the Directors present, decisions made and the reasons for those decisions.

Annual Return

123. Every year and within the period prescribed by the Act, the Secretary shall send the annual return in the prescribed form to the Registrar. The annual return shall be accompanied by:

(a) A copy of the Auditor’s report on the Co-operative's accounts for the period covered by the annual return or a copy of such other report (if any) as is required by statute for such a period; and

(b) A copy of each balance sheet made during that period and report of the Auditor or other appropriate person as required by statute on that balance sheet.

124. The Co-operative shall on demand supply free of charge to any Member or any person with an interest in the funds of the Co-operative a copy of the latest annual return together with a copy of the Auditor's report (if any) on the accounts and balance sheet contained in the annual return and the Auditor’s report (if any).

125. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding Auditor's report hung up in a conspicuous place at the registered office and displayed on the Co-operative's website (if any).
Audit

126. Unless the Co-operative meets the criteria set out in section 4(2) of the Friendly and Industrial and Provident Societies Act 1968 or fulfils the exemptions set out in sub-sections 4(A) (1) and (2) of the Friendly and Industrial and Provident Societies Act 1968, the Board shall in each financial year appoint an Auditor as required by section 7 of the Friendly and Industrial and Provident Societies Act 1965 as amended, to audit the Co-operative’s accounts and balance sheet for the year. This provision also applies if the Co-operative is in its first financial year.

127. The following persons shall not be appointed as Auditor of the Co-operative:

(a) An Officer or Employee of the Co-operative;

(b) A person who is a partner or employee of, or who employs, an Officer of the Co-operative.

128. The Board may appoint an Auditor to fill a casual vacancy occurring between general meetings.

129. An Auditor for the preceding financial year shall be re-appointed as Auditor of the Co-operative for the current financial year unless:

(a) A decision has been made by the Board to appoint a different Auditor or expressly decided that s/he shall not be re-appointed; or

(b) S/he has given notice in writing to the Secretary of her/his unwillingness to be re-appointed; or

(c) S/he is ineligible for appointment as Auditor of the Co-operative for the current financial year; or

(d) S/he has ceased to act as Auditor of the Co-operative by reason of incapacity.

130. Any ordinary resolution of a general meeting of the Co-operative either to remove an Auditor from office or to appoint another person as Auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least 28 days prior to the meeting at which the resolution is to be considered. At least 14 days’ notice of such resolution must then be given to Members of the Co-operative in the manner prescribed in these Rules and in Writing to the Auditor(s).

Social Accounting and Reporting

131. In addition to any financial accounts required by the Act, the Members may resolve to undertake an account of the activities of the Co-operative which will endeavour to measure its co-operative, social and environmental performance
using whatever methodology the Members deem appropriate. Following the completion of such an account the Co-operative shall report any findings to its Members and other stakeholders.

**Indemnity and Insurance**

132. Subject to the following rule, any Director or former Director of the Co-operative may be indemnified out of the Co-operative’s assets against:

(a) Any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Co-operative;

(b) Any liability incurred by that Director in connection with the activities of the Co-operative in its capacity as a trustee of an occupational pension scheme;

(c) Any other liability incurred by that Director as an Officer of the Co-operative.

133. The above rule does not authorise any indemnity which would be prohibited or rendered void by any provision of law.

134. The Directors may decide to purchase and maintain insurance, at the expense of the Co-operative, for the benefit of any Director or former Director of the Co-operative in respect of any loss or liability which has been or may be incurred by such a Director in connection with their duties or powers in relation to the Co-operative or any pension fund or employees’ share scheme of the Co-operative.

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<th>Signatures of Founder Members</th>
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- Accepted as a model by the Financial Services Authority 2011 v.1 -
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Acknowledgment of Registration of Society

Register No. 28732 R

Rootstock Limited is this day registered under the Industrial and Provident Societies Act 1965.

Date: 29 May 1998

Registry of Friendly Societies
Victory House, 30-34 Kingsway
London WC2B 6ES
Rules of

ROOTSTOCK LIMITED

(Registered under the Industrial and Provident Societies Acts 1965–1978)

NAME

1. The name of the Society (referred to in these Rules as "the Co-operative") shall be

ROOTSTOCK Limited.

OBJECTS

2. The objects of the Co-operative shall be to carry on any trade, business or service as principals or agents which may seem to the Co-operative to be conducive to its interests generally, and to the interests of the community the co-operative is established to serve.

POWERS

3. The Co-operative shall have power to do all things necessary or expedient for the fulfilment of its objects and in particular:

(a) to establish and contribute to pension or superannuation schemes for any persons who are or have been employed by the Co-operative and their dependants;

(b) to make gifts to ex-employees of the Co-operative or their dependants in cases of hardship;

(c) to make gifts and donations for social or charitable purposes.

REGISTERED OFFICE

4. The Registered Office of the Co-operative shall be at:

28 HAMSTEAD ROAD, HOCKLEY, BIRMINGHAM B19 1DB

MEMBERSHIP

5. The Committee may admit to membership any person or corporate body, or the nominee of any unincorporated organisation or firm, who or which is living, working or active within the community served by the Co-operative, and who or which has agreed to pay to the Co-operative any subscription or other sum due in respect of membership.

6. Applications for membership shall be in such form as the Committee may from time to time direct and shall contain an application for at least one share in the Co-operative.
7. The Co-operative shall keep at its registered office a register of members in which the Secretary shall enter the following particulars:
   (a) the name and address of every member;
   (b) a statement of the number of shares held by each member and that £1 has been paid, on each share;
   (c) a statement of other property, whether in loans or otherwise, held by each member;
   (d) the date on which each member’s name was entered in the register as a member and the date on which any member ceased to be a member;
   (e) the names and addresses of the Committee members and officers of the Co-operative, of the offices held by them respectively, and the dates on which they assumed and vacated office.

8. A copy of these Rules and any amendments made to them shall be given free of charge to every member upon admission to membership and shall be provided to any other person on demand and on payment of the statutory fee chargeable for the time being in force.

SHARE CAPITAL

9. The shares of the Co-operative shall be par shares of the nominal value of £1.00. Every member shall hold no less than fifty shares in the Co-operative and no more than the maximum permitted by law.
   (a) Shares shall be withdrawable only in accordance with the provisions of these Rules.
   (b) The Committee shall allot to members upon their admission the shares for which they have applied, and shall allot from time to time any share or shares subsequently applied for. Shares shall normally be paid for in full upon allotment, but the Committee may at its discretion permit a member to defer payment provided that at least one share is paid for in full.
   (c) Shares shall carry no right to dividend or bonus, but interest shall be payable. The maximum rate of interest shall be determined by the Committee from time to time, and shall be no higher than is necessary to obtain and retain sufficient capital to fulfil the Co-operative’s objects.
   (d) Shares may be transferred at the discretion of the Committee, but no transfer shall be valid until registered.

10. Subject to clauses (c) and (d) below, shares may be withdrawn by members upon giving thirteen weeks’ notice to the Co-operative, provided that:
   (a) All withdrawals shall be paid in the order in which the notices were received by the Co-operative.
   (b) The Committee may waive any notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit.
   (c) Except by consent of the Committee not more than one-tenth of the issued share capital at 1st January in each year, including all sums under notice of withdrawal at that date, shall be withdrawable during the ensuing year.
   (d) The right to withdraw may be suspended by the Committee either wholly or partially and either indefinitely or for a fixed period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the resolution suspending the right to withdraw is passed by the Committee.
Where the suspension is for a fixed period, such period may be extended from time to time by the Committee.

(e) During any period when the right of withdrawal has been suspended under clause (d), the shares of a deceased member may, at the discretion of the Committee, be withdrawn by her/his personal representative upon giving such notice as the Committee may require and subject, as regards the amount payable on withdrawal, to such deduction as the Committee may from time to time decide.

(f) Except where otherwise provided in these Rules, the amount to be paid to a member on withdrawal shall be the amount credited on the share or shares to be withdrawn.

(g) Any share withdrawn in accordance with this Rule shall be cancelled and, except as provided for in section 57 of the Act, any amount remaining unpaid on such share shall cease to be due to the Co-operative.

LIEN ON SHARES

11. The Co-operative shall have a lien on the shares of a member for any debt due to it by the member and may set off any sum standing to the member's credit including any loan money, interest and dividends in or towards the payment of such debt.

CESSATION OF MEMBERSHIP

12. A member shall cease to be a member if s/he or it:
   (a) ceases to qualify for membership under the provisions of Rule 5; or
   (b) is wound up or goes into liquidation (if a corporate body) or is the nominee of an unincorporated organisation or firm which is wound up or goes into liquidation; or
   (c) is the nominee of an unincorporated organisation or firm which removes or replaces her/him as its nominee.

   If a member is required to withdraw from membership under this Rule and the right to withdraw shares has been suspended, then the nominal value of her/his/its share capital shall be converted into loan stock upon such terms as may be agreed between the Committee and the member, provided that such agreement shall require the repayment of the loan within a period not exceeding three years.

13. A member may withdraw from the Co-operative by withdrawing all her/his/its shares in the Co-operative in accordance with Rules 10 and 11. In the event that the right to withdraw has been suspended a member may withdraw by surrendering all her/his/its shares to the Co-operative. Upon such surrender the Committee may at their discretion pay to the withdrawing member any amount not exceeding the nominal value of the shares surrendered.

14. (a) A member may be expelled for conduct prejudicial to the Co-operative by a resolution carried by a majority of at least two-thirds of those members voting at a Special General Meeting of the Co-operative of which due notice has been given, provided that the grounds for expulsion have been specified in the notices calling the meeting and that the member whose expulsion is to be considered shall be given the opportunity to state her/his/its case to the meeting. If on due notice having been served the member fails to attend the meeting the meeting may proceed in the member's absence.
(b) An expelled member shall be paid the nominal value of shares held by her/him/it at the date of the expulsion or, if at the time there is in force a suspension of the right to withdraw share capital, then the value of the shares shall be converted into loan stock on such terms as may be agreed between the member and the Committee, provided that such agreement shall require the repayment of the loan within a period not exceeding three years.

(c) No member expelled from membership shall be re-admitted except by a resolution carried by a majority of at least two-thirds of members voting at a General Meeting of which due notice has been given.

**GENERAL MEETINGS**

15. An Annual General Meeting shall be held within six months of the close of the financial year of the Co-operative, the business of which shall comprise:
   (a) The receipt of the accounts and balance sheet and of the reports of the Committee and auditor (if any);
   (b) The appointment of an auditor, subject to Rule 54 (b);
   (c) The election of Committee members (or the announcement of the results of the election if held previously by ballot);
   (d) The application of profits;
   (e) The transaction of any other business included in the notice convening the meeting.

16. In addition to the Annual General Meeting, Ordinary General Meetings shall be held at approximately quarterly intervals or at such other level of frequency as may be decided from time to time by the Co-operative in General Meeting.

17. A Special General Meeting shall be convened either upon an order of the Committee or at the request of three members of the Co-operative or ten per cent of the membership, whichever is the greater.

18. A General Meeting shall be convened by at least fourteen days' notice unless all members of the Co-operative agree to hold a General Meeting with shorter notice. Notices of meetings shall either be given to members personally or posted to them at their registered address or alternatively, if so agreed by the Co-operative in General Meeting, notices of General Meetings may be displayed conspicuously at the registered office and in all other places of business of the Co-operative to which members have access. Notices shall specify the time, date and place at which the meeting is to be held and, in the case of an Annual or a Special General Meeting, details of the business which is to be transacted at that meeting. An Annual or a Special General Meeting shall not transact any business other than that specified in the notices calling the meeting.

19. A notice sent by post to a member's registered address shall be deemed to have been duly served forty-eight hours after its posting. The accidental omission to send any notice to or the non-receipt of any notice by any member shall not invalidate the proceedings at the meeting.
20. If the Co-operative has appointed an auditor in accordance with Rule 54 (a) they shall be entitled to attend General Meetings of the Co-operative and to receive all notices of and communications relating to any General Meeting which any member of the Co-operative is entitled to receive. The auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an auditor.

**PROCEEDINGS AT GENERAL MEETINGS**

21. A corporate body which is a member of the Co-operative shall appoint a representative who shall during the continuance of her/his appointment be entitled to exercise in any General Meeting of the Co-operative all such rights and powers as the member organisation would exercise if it were an individual person. The Co-operative shall require such notification of an organisation’s appointed representative as the Committee may from time to time decide.

22. No person shall be entitled to vote on any question at a General Meeting other than an individual member of the Co-operative or the duly appointed representative of a corporate body which is a member.

23. Every member shall hold one vote only on each question to be decided. Except where otherwise specified by these Rules or by the Act, questions shall be resolved by a simple majority of votes cast.

24. No business shall be transacted at a General Meeting unless a quorum is present in person. Unless and until otherwise decided by the Co-operative in General Meeting, a quorum shall be one tenth of the members of the Co-operative or five members, whichever is the greater.

25. If within half an hour after the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned until a day between seven and fourteen days after the date set for the original meeting, and all members shall be given such notice as is practicable. If at such an adjourned meeting a quorum is not present within half an hour after the time set for the meeting, then the members present shall constitute a quorum.

26. The Chairperson of the Co-operative shall preside at every General Meeting. In the event of her/his absence or unwillingness to act, the members present shall choose one of their number to be Chairperson of the meeting.

27. The Chairperson may with the consent of any meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Where a meeting is adjourned for twenty-one days or more, notice of the adjourned meeting shall be given as in the case of the original meeting; otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
28. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a secret ballot is, before or on the declaration of the result of the show of hands, demanded by at least three members present. Unless a secret ballot be so demanded, a declaration by the Chairperson that a resolution has on a show of hands been carried or lost with an entry to that effect in the book containing the minutes of the proceedings of the Co-operative shall be conclusive evidence of the fact without proof of the number or proportions of the votes recorded in favour or against such resolution.

29. If a secret ballot is duly demanded it shall be taken in such a manner as the Chairperson directs, provided that no member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.

30. The demand for a secret ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a secret ballot may be withdrawn.

31. In the case of an equality of votes, whether on a show of hands or on a ballot, the Chairperson shall not have a second or casting vote and the resolution shall be deemed to be lost.

32. The Co-operative may invite other persons who are not members to attend General Meetings, with or without speaking rights and without voting rights.

AMENDMENTS TO RULES

33. Any of these Rules may be rescinded or amended or a new Rule made by a vote of three quarters of those members of the Co-operative voting at a Special General Meeting of which fourteen clear days' prior notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of Rules is valid until registered by the Registrar.

COMMITTEE OF MANAGEMENT

34. The Co-operative shall have a Committee comprising not less than three and not more than fifteen persons. The initial Committee members from incorporation until the first Annual General Meeting shall be appointed by the founder members of the Co-operative.

35. A Committee member shall, subject to Rule 42 below, hold office until the end of the next Annual General Meeting following her/his election. Retiring members shall be eligible for re-election at the Annual General Meeting at which they retire.

36. New Committee members shall be elected in accordance with such procedures as may be adopted by the Co-operative from time to time, provided that only members of the Co-operative and representatives of organisations which are members may stand for election to, or nominate persons to stand for election to the Committee.
37. The Committee may at any time co-opt any member of the Co-operative or the representative of an organisation which is a member to fill a casual vacancy in the Committee, provided that at no time shall more than one-third of the members of the Committee be co-opted members. A casual vacancy shall be deemed to exist if the number of Committee members should drop below the minimum prescribed in these Rules or below the number elected at the preceding Annual General Meeting.

38. In the event that the size of the Committee should drop below the minimum number of members prescribed in these Rules, the members of the Committee may act to increase their number or to call a General Meeting of the Co-operative, but for no other purpose.

39. A Committee member shall declare an interest in any contract or matter in which s/he has a personal material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter except where that interest is shared with a majority of the other members of the Committee.

40. Committee members shall only be entitled to fees or remuneration for services actually rendered to the Co-operative, whether as employees or otherwise.

41. Committee members may be paid all reasonable and proper expenses incurred by them in attending and returning from meetings of the Committee or General Meetings of the Co-operative or in connection with the business of the Co-operative.

42. The office of Committee member shall be immediately vacated if s/he:
   (a) resigns her/his office in writing to the Co-operative; or
   (b) ceases to be a member of the Co-operative for any reason whatsoever (or is the representative of a corporate body which ceases to be a member); or
   (c) is removed from office by a majority vote of the Co-operative at a Special General Meeting, the notices for which specified that the question of the Committee member’s removal was to be considered; or
   (d) in the opinion of a majority of the Committee, fails to declare her/his interest in any contract as referred to in Rule 39; or
   (e) is absent from three successive meetings of the Committee during a continuous period of twelve months without special leave of absence from the Committee and they decide that s/he has by reason of such absence vacated office; or
   (f) becomes bankrupt or, in the opinion of a majority of the Committee, incapable on medical or psychological grounds of carrying out the functions of a Committee member.

**HONORARY OFFICERS**

43. Members of the Committee shall elect a Chairperson, Secretary and Treasurer of the Co-operative from amongst their own number. Any honorary officer so appointed may be removed or replaced by a majority vote of the Committee at any time, or by a majority vote of the members at a Special General Meeting the notices for which specified that the matter was to be raised.
POWERS AND DUTIES OF THE COMMITTEE

44. The business of the Co-operative shall be managed by the Committee who may pay all expenses of the formation of the Co-operative as they think fit and may exercise all such powers of the Co-operative as may be exercised and done by the Co-operative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in General Meeting, provided that any arrangement involving the disposal or mortgaging or charging (as security for debt) of assets equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative must be ratified by a Special General Meeting before such arrangement is entered into.

45. No regulation made by the Co-operative in General Meeting shall invalidate any prior act of the Committee which would have been valid had that regulation not been made.

46. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Committee shall from time to time direct.

47. Without prejudice to its general powers, the Committee may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.

PROCEEDINGS AT COMMITTEE MEETINGS

48. The Committee may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The Secretary shall at the request of two or more Committee members summon a meeting of the Committee at any reasonable time by giving all Committee members reasonable notice of the date, time and venue for the meeting and the general nature of the business to be considered.

49. The quorum necessary for the transaction of business at a Committee meeting shall be one half of the members of the Committee, provided that no meeting shall be quorate if one half or more of those present are co-opted Committee members.

50. At every Committee meeting the Chairperson of the Co-operative shall preside, but in the event of her/his absence or unwillingness to act the members present shall choose one of their number to be Chairperson of the meeting.

51. The Committee shall cause proper minutes to be made of all the proceedings of the Co-operative, of the Committee and of any sub-committees. All such minutes shall be open to inspection by any member of Committee at all reasonable times.

52. Questions arising at Committee meetings shall be decided by a majority of votes of those present. In the event of a tied vote the Chairperson shall not have a second or casting vote and the resolution shall be deemed to be lost.
BORROWING

53. (a) The Co-operative shall have power to borrow money from its members and others for the purposes of the Co-operative providing that the amount outstanding at any one time shall not exceed £10,000,000.
(b) The Co-operative shall have power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock, debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or persons or corporations having dealings with the Co-operative.
(c) The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a Building Society or Local Authority shall not exceed 6\% per year or 3% above the base lending rate of the Co-operative's bankers at the commencement of the loan, whichever is the higher.
(d) The Co-operative may receive from any persons donations or loans free of interest towards its work but shall not receive money on deposit.

AUDITORS

54. (a) Subject to clause (b) below, the Co-operative shall appoint in each financial year an auditor qualified under section 7 of the Friendly and Industrial and Provident Societies Act 1968 to audit the Co-operative's accounts and balance sheet for the year.
(b) The Co-operative shall (subject to Rule 54 (c)) be exempt from the obligation to appoint a qualified auditor if during the preceding financial year it met such criteria regarding low levels of income and/or expenditure or other factors as to qualify it for statutory exemption from the need to appoint qualified auditors. In such an event the Co-operative may appoint two persons who are not qualified auditors to audit the accounts and balance sheet for the year.
(c) The members of the Co-operative shall in general meeting vote every year to allow the Co-operative to apply the audit exemption. Such a resolution shall be deemed to have been passed if less than 20 per cent of the total number of votes cast are against the resolution and less than ten per cent of the members of the co-operative cast their votes against the resolution.
(d) None of the following persons shall be appointed as auditor of the Co-operative:
   - an officer or employee of the Co-operative;
   - a person who is a partner or employee of or who employs an officer of the Co-operative.
(e) The first appointment of an auditor shall be made within three months of the registration of the Co-operative and shall be made by the Committee if no General Meeting is held within that time. The Committee may appoint an auditor to fill a casual vacancy occurring between General Meetings. Except as specified in these cases, every appointment of an auditor shall be made by a resolution of a General Meeting of the Co-operative.
(f) An auditor for the preceding financial year shall be re-appointed as auditor of the Co-operative for the current financial year unless:
(i) a resolution has been passed at a General Meeting appointing someone else as auditor or providing expressly that s/he shall not be re-appointed; or

(ii) s/he has given notice in writing to the Co-operative of her/his unwillingness to be re-appointed; or

(iii) s/he is ineligible for appointment as auditor of the Co-operative for the current financial year; or

(iv) s/he has ceased to act as auditor of the Co-operative by reason of incapacity.

(g) Any resolution of a General Meeting of the Co-operative either to remove an auditor from office or to appoint another person as auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least twenty-eight days prior to the meeting at which the resolution is to be considered. At least fourteen days’ notice of such resolution must then be given to members of the Co-operative in the manner prescribed in Rule 18 and in writing to the auditors.

ANNUAL RETURN

55. Every year and within the period prescribed by statute, the Secretary shall send to the Registrar the annual return, in the form prescribed by the Registrar, relating to its affairs for the period required by the Act to be included in the return together with:

(a) a copy of the report of the auditor on the Co-operative’s accounts for the period included in the return or a copy of such other report (if any) as is required by statute for such period, and;

(b) a copy of each balance sheet made during that period and of the report (if any) of the auditor or other appropriate person as required by statute on that balance sheet.

56. The Co-operative shall on demand supply free of charge to any member, or to any person with an interest in the funds of the Co-operative, a copy of the latest annual return together with a copy of the auditor’s report on the accounts and balance sheet contained in the return.

57. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding auditor’s report hung up in a conspicuous place at the registered office.

PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER

58. (a) Upon a claim being made by the personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Co-operative belonging to the deceased or bankrupt member, the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.

(b) A member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.
APPLICATION OF PROFITS

59. The profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the Annual General Meeting:
   (a) first, to a general reserve for the continuation and development of the Co-operative;
   (b) secondly, in paying interest on issued share capital in accordance with Rule 9(d);
   (c) thirdly, in making payments for social or charitable purposes within the community served by the Co-operative.

SEAL

60. The Co-operative shall have a seal kept in the custody of the Secretary and used only by the authority of the Committee. Sealing shall be attested by the signature of two Committee members or of one Committee member and the Secretary for the time being.

INVESTMENT OF FUNDS

61. The Co-operative may invest any part of its funds in the manner set out in Section 31 of the Industrial and Provident Societies Act 1965.

REGULATIONS

62. The Co-operative in General Meeting or the Committee may from time to time make, adopt and amend such regulations in the form of bye-laws, standing orders, secondary rules or otherwise as they may think fit for the management, conduct and regulation of the affairs of the Co-operative and the proceedings and powers of the Committee and sub-committees. No regulation shall be made which is inconsistent with these Rules or the Act. All members of the Co-operative and the Committee shall be bound by such regulations whether or not they have received a copy of them.

DISSOLUTION

63. The Co-operative may be dissolved by the consent of three quarters of the members by their signatures to an instrument of dissolution, or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied and the repayment at par value of share capital and any loan stock held by members and former members and any dividends due to members, these assets shall not be distributed among the members, but shall be transferred instead to some other non-profit, co-operative or charitable body or bodies subject to at least the same degree of restriction on the distribution of surpluses and assets as is imposed on this Co-operative by virtue of these Rules, as may be decided by the members at the time of or prior to the dissolution.
DISPUTES

64. In the event of a dispute between the Co-operative or its Committee and a member of the Co-operative or a former member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute. The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the County Court (or in Scotland, to the Sheriff).

INTERPRETATIONS

65. In these Rules, "the Act" refers to the Industrial & Provident Societies Acts 1965 to 1978 or any Act or Acts amending or in substitution for them for the time being in force. "The Registrar" shall mean the Chief Registrar of Friendly Societies.

Signatures of Founder Members

1. [Signature]

2. [Signature]

3. [Signature]

4. [Signature]

5. [Signature]

6. [Signature]

7. [Signature]

Secretary: [Signature]

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ICH/ICOM 1996
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Acknowledgment of Registration of Society

Register No. 21975 R

Triangle Wholefoods Collective Limited

is this day registered under the Industrial and Provident Societies Act 1965.

Date 15th September 1977

17 North Audley Street
LONDON
W1Y 2AP

Copy kept.
RULES OF

1. The NAME of the Society shall be "WHOLEFOODS COLLECTIVE" Limited (hereinafter referred to as the Co-operative)

2. The OBJECTS of the Co-operative shall be to carry on the business as a bona fide co-operative society of

   a) Manufacturing or selling all or any such goods as may aid the promotion and development of a culture and lifestyle in which care for the quality of individual foods lies and the relationship to the environment as an organic whole and the recognition of the commons and cultural and educational needs.

   b) Providing the service of a communication and co-operation of individuals and goods to those above.

   c) Providing the service of a co-operative credit facility.

3. POWERS. The Co-operative shall have power to do all things necessary or expedient for the fulfilment of its objects.

4. The REGISTERED OFFICE of the Co-operative shall be at 177A Grantham Street, Leeds 7 2FEDERATION.

5. The SHARE CAPITAL of the Co-operative shall consist of shares of the nominal value of one pound each issued to persons upon admission to Membership of the Co-operative. The shares shall be neither withdrawable nor transferable, shall carry no right to interest dividend nor bonus and shall be forfeited and cancelled on cessation of membership for whatever cause and the amount paid-up thereon shall become the property of the Co-operative. A Member shall hold only one share in the Co-operative.

6. MEMBERSHIP. The Co-operative shall consist of all those who sign the Application for Registration (the Founder Members) and such other persons as the Co-operative may admit in accordance with Rule 7.

7. APPLICATION FOR MEMBERSHIP. May be made in writing to the Secretary by any person who is in the employment of the Co-operative and has attained the age of 18 years. If the application is approved by a General Meeting the Co-operative will issue him or her with one share upon payment of one pound.

8. CESSATION OF MEMBERSHIP. A Member will cease to be a Member if he or she:...
322

bona fide co-operative society of

a) Manufacturing or selling all or any such goods as may and the pro-

duction, development and processing of a consumer's goods and other

services in which cases an individual, firm or company may make use

the requirements as an organic whole and that interdependence and the

provision of the material goods and services to the public in the local

area, to improve and develop the standard of people and the rel-

vant service to improve and develop the same.

b) Manufacturing or selling to wholesalers, retailers, agents, or otherwise, such other goods (or providing such service) as

may be determined by a General Meeting.

In carrying out the aforesaid objects the Co-operative shall have regard to

promoting the physical, mental and spiritual well-being of the community

and especially those who participate in the activities of the Co-operative

by reason of employment in or purchasing from or selling to the Co-operative

and to assist people in need by any means whatsoever.

3. POWERS. The Co-operative shall have power to do all things necessary or

expedient for the fulfilment of its objects.

4. The REGISTERED OFFICE of the Co-operative shall be at

5. The SHARE CAPITAL of the Co-operative shall consist of shares of the

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Co-operative. A Member shall hold one share only in the Co-operative.

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as the Co-operative may admit in accordance with Rule 7.

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person who is in the employment of the Co-operative and has attained the age

of 18 years. If the application is approved by a General Meeting the

Co-operative will issue him or her with one share upon payment of one pound.

8. CESSION OF MEMBERSHIP. A Member will cease to be a Member if he or she:

a) ceases to be in the employment of the Co-operative for any reason

whatever save only that this condition does not apply to Founder

Members defined in Rule 6.

b) resigns in writing to the Secretary.

c) is expelled by a resolution carried by the votes of three quarters of the

Members present in person and voting at a General Meeting of the

Co-operative of which notice has been duly given, provided that a

complaint in writing of conduct detrimental to the interests of the

not less than one calendar month before the meeting. Such complaint shall

be given to the Secretary and shall be called upon the conduct complained

of and shall be read to the meeting called under the

rule. At such meeting the Members shall consider evidence in support of

the complaint and such evidence as the Member may wish to place before

the same. If on due notice having been served upon him or her the Member

fails to attend the meeting without cause the meeting may proceed in

his or her absence.

d) dies
9. BORROWING

a) The Co-operative shall have power to borrow money for the purpose of the Co-operative in whatsoever manner it may determine including the issue of loan stock provided that the amount for the time being remaining undischarged of moneys borrowed shall not exceed £100,000.

b) The rate of interest paid on money borrowed, except on money borrowed by way of bank overdraft or on mortgage from a Building Society or Local Authority, shall not exceed 6% per annum, or 1% per annum above the Bank of England's minimum lending rate, whichever is the higher.

c) The Co-operative may receive from any persons donations or loans free of interest towards the work of the Co-operative.

d) The Co-operative may receive any sums of money within the total limit mentioned in section a) of this Rule, from Members and others on deposit, repayable on such notice being not less than 14 clear days, as they arrange from time to time, provided that such deposits shall be received in instalments of not more than £2 in any one payment or more than £50 in all from any one depositor.

10. MANAGEMENT

a) There shall be regular General Meetings of all Members of the Co-operative. These shall be called by the Secretary giving each Member seven clear days notice of the date, time and place of the meeting and the issues upon which decisions are to be taken. The Secretary shall also call a meeting at the request of three or more Members delivered to him or her in writing.

b) Each General Meeting shall elect a chairman who shall have a casting vote in the event of a tied vote and whose function will be to conduct the business of the meeting in an orderly manner.

c) The Co-operative shall have a Committee of not less than five and not more than nineteen Committee Members, the number to be decided by a General Meeting. The Committee Members shall be elected each year at the Annual General Meeting. Retiring Committee Members shall be eligible for re-election without nomination. Nominations for the Committee shall be in writing and signed by two Members making the nomination, and shall contain a statement by the Member nominated of his or her willingness to be elected. The nominations shall be delivered to the Secretary not less than seven days before the Annual General Meeting. Only Members shall be eligible to be Committee Members. Any Committee Member may be removed from office by a majority vote at a General Meeting called for this purpose. Any re-appointment of Committee Members shall be decided by Members in General Meeting. The Committee may exercise all such powers as may be exercised by the Co-operative and are not by these Rules or statute required to be exercised by the Co-operative in General Meeting, subject nevertheless to the provisions of these Rules and any regulations not inconsistent with these Rules made from time to time by the Co-operative in General Meeting.

d) A General Meeting shall elect and may remove a Treasurer under their direction to be responsible for the proper management of the financial affairs of the Co-operative.

e) A General Meeting shall elect and may remove a Secretary under their direction who will have those functions numerated in these Rules and such further functions as a meeting may determine.

f) No business shall be contracted at any General Meeting unless one half of more of the Members are present.

11. VOTING. Every Member present in person at a General Meeting shall have one vote, and questions will be decided upon a majority vote of Members present, subject to Rule 10 (b), except for those questions to be decided in accordance with Rules 8 and 17.

12. An ANNUAL GENERAL MEETING shall be held within six months of the close of the financial year of the Co-operative, the business of which will include:

a) The receipt of the account and balance sheet.

b) The appointment of an auditor.

c) The election of Committee Members.
13. INVESTMENT OF FUNDS.

The funds of the Co-operative may with the authority of the General Meeting be invested as follows:

a) In or upon security in which trustees are for the time being authorised by law to invest; and

b) In or upon any mortgage, bond, debenture, debenture stock, corporation stock, rent charge, rent or other security (not being securities payable to bearer) authorised by or under any Act of Parliament passed or to be passed by any local authority as defined by Section 34 of the Local Loans Act, 1875; and

c) In the shares or on the security of any other society registered or deemed to be registered under the Act, or under the Building Societies Acts, or of any company registered under the Companies Acts, or incorporated by Act of Parliament or by Charter, provided that no such investment be made in the shares of any society or company other than one with limited liability.

The Co-operative may appoint any one or more of its Members to vote on its behalf at the meetings of any other body corporate in which the Co-operative has invested any part of its funds.

14. APPLICATION OF PROFITS. The profits of the Co-operative shall be applied as follows, in such proportions and in such manner as the General Meeting shall decide from time to time:

a) Firstly, to a general reserve for the continuation and development of the Co-operative.

b) Secondly, to a bonus to Members.

c) Thirdly, to make payments for the social and charitable objects in connection with Rule 2.

15. AUDITORS

a) The Co-operative shall in accordance with Sections 4 and 8 of the Friendly and Industrial and Provident Societies Act 1968 appoint in each year one or more auditors to whom the accounts of the Co-operative for that year shall be submitted for audit as required by the said Act, and who shall have such rights in relation to notice of an attendance and audience at General Meetings, access to books and the supply of information, and otherwise, as are provided by the said Act.

Every such auditor shall be appointed by the Co-operative in a General Meeting, and in the case of any auditor so appointed who is a qualified auditor under Section 7 of the said Act the provisions of Sections 5 and 6 thereof apply to his re-appointment and removal and to any resolution removing him or appointing another person in his place.

b) Every year not later than the date provided by the Act or where the return is made up to the date allowed by the Registrar, not later than three months after such date, the Secretary shall send to the Registrar, the annual return in the form prescribed by the Chief Registrar of Friendly Societies relating to its affairs for the period required by the Act to be included in the return together with:

1. a copy of the report of the auditor on the Co-operatives accounts for the period included in the return and

2. a copy of each balance sheet made during that period and of the report of the auditor on that balance sheet.

16. RECORDS AND SEAL.

a) The Co-operative shall keep at its registered office a register of Members in which the Secretary shall enter the following particulars:

1) the name and addresses of the Members;

2) a statement of the number of shares held by each Member and of the amount paid or agreed to be considered as paid on the shares of each member;

3) a statement of other property in the Co-operative, whether in loans, deposits or otherwise, held by each Member;
4) the date at which each person was entered in the register as a Member, and the date at which any person ceased to be a Member;

5) the names and addresses of the officers of the Co-operative, with the offices held by them respectively and the dates on which they assumed office.

Any Member changing his address shall notify the Co-operative.

b) The Co-operative shall have a seal kept in the custody of the Secretary and used only by the authority of a General Meeting. Sealing shall be attested by the signatures of two Members and that of the Secretary for the time being.

17. AMENDMENTS TO RULES.

a) Any rule herein may be rescinded or amended or a new rule made by the vote of three quarters of all the Members of the Co-operative present at a General Meeting where all the Members of the Co-operative have been given seven clear days prior notice of the change to be proposed at that meeting.

b) No amendment of rules is valid until registered.

18. DISSOLUTION. The Co-operative may be dissolved by the consent of three quarters of the Members by their signatures to an instrument of dissolution provided for in the Treasury Regulations or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative there remains after the satisfaction of all its debts and liabilities any funds whatever, the same shall not be paid to or distributed among the Members of the Co-operative but shall be transferred in whole or in part to some other Co-operative or Co-operatives or other like body having objects similar to the objects of the Co-operative, as decided by a General Meeting.

19. DECEASED MEMBERS.

a) Upon a claim being made by the personal representative of a deceased member of the trustee in bankruptcy of a bankrupt member to any property in the Co-operative belonging to the deceased or bankrupt member the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.

b) A Member may in accordance with the Act nominate any person or person to whom any of his property in the Co-operative at the time of his death shall be transferred but such nomination shall only be valid to the extent of the amount for the time being provided in the Act. On receiving satisfactory proof of death of a Member who has made a nomination the General Meeting shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.

20. DISPUTES. Any such dispute as is referred to in Section 60 (1) of the Industrial and Provident Societies Act 1965 shall be referred to and decided by the Chief Registrar of Friendly Societies.

21. In these rules 'The Act' refers to the Industrial and Provident Societies Acts 1965 to 1975 or any Act or Acts amending or in substitution for them for the time being in force.

Signed: [Signatures]

1 Founder Members

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Secretary
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Application for the registration of a society, pursuant to section 2 of the Act

To the Central Office of the Registry of Friendly Societies

1. We, the undersigned, being seven members and the secretary of a society hereby apply for the registration of the society under the Industrial and Provident Societies Act 1965 under the name...

2. The rules contain provisions in respect of the matters mentioned in Schedule 1 to the Act as follows:

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<th>Matters to be provided for</th>
<th>Number of rule</th>
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<td>(f) The appointment and removal of a Committee of Management (by the name of MANAGEMENT COMMITTEE ) and of managers or other officers, and their respective powers and remuneration.</td>
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<td></td>
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</table>
Signatures of Applicants

1. E. W. Whitaker
   Full Names: EIZABETH [BLOCK LETTERS]
   Addresses: [BLOCK LETTERS]
   6 HYDE PARK TERRACE
   LEEDS 6

2. H. E. Adams
   HENRY ALCHEIC NOYES
   6 HYDE PARK TERRACE
   LEEDS 6

3. P. G. Lister
   RICHARD GEORGE LISTER
   14 AUSSIE PLACE
   LEEDS 6

4. B. Charlesworth
   BRIAN CHARLESWORTH
   93A EMILY LANE
   BRADFORD 9

5. P. Charlesworth
   PATRICIA CHARLESWORTH
   56A EMILY LANE
   BRADFORD 9

6. M. L. Mather
   NICHOLAS MARTIN
   CRABTREE
   6 HYDE PARK TERRACE
   LEEDS 6

7. E. B. Godfrey
   Ewen Bernard
   Godfrey
   18 Okey Road
   East Morton, Keighley

Signature of Secretary.

Date: 24 APRIL 1977

Name and address to which communications are to be sent:
SEnTARY, STEAM BICYCLE CO. LTD., 11/13 WHARF ST.
LEEDS 2

Where a (reduced) fee is to be paid because the rules accompanying this application are the model rules of a promoting organisation and the application is being made through the organisation, that organisation should endorse this form in the space below before it is sent to the Central Office.

This application is endorsed by the
Industrial Common Ownership Movement
Anita Richards
ICOM Coordinator
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Register No. 21975 R

The amendment of the rules of Triangle Wholefoods Collective Limited to which this acknowledgement is attached, is this day registered under the Industrial and Provident Societies Act 1965.

Date: 21 March 2001

Registry of Friendly Societies
25 The North Colonnade
Canary Wharf
London, E14 5HS
PARTIAL AMENDMENT OF RULES OF

Triangle Wholefoods Collective Limited

Register no. 21975R

We, the undersigned, declare that the following is a true copy of a resolution duly passed by the above-named society at a special general meeting held on 26 January 2001.

IT IS RESOLVED THAT, WITH THE APPROVAL OF THE CHIEF REGISTRAR OF FRIENDLY SOCIETIES, THE RULES OF THE SOCIETY BE AMENDED AS FOLLOWS:

Rule 9a is amended to read as follows:

'The Co-operative shall have the power to borrow money for the purposes of the Co-operative in whatsoever manner it may determine including the issue of loan stock providing that the amount for the time being remaining undischarged of money borrowed shall not exceed £10,000,000, and to enter into Hire Purchase, Lease Purchase, Conditional Sale and Contract Hire agreements.'

Signature of Members: ______________________

Signature of Secretary: ______________________
Form F

Industrial and Provident Societies Act 1965

Application to Register a Partial Amendment of Rules,
pursuant to section 10 of the Act

Name of Society: TRIANGLE WHOLEFOODS COLLECTIVE

Limited

Register No.: 21975 R

To the Central Office

1. Application is hereby made for the registration of an amendment of rules, not being a substitution of an entire set of rules for the existing set of rules.

2. There accompany this application:
   (a) Two printed copies of the amendment of rules, one marked ☑ and each signed by three members and the secretary of the society;
   (b) A printed copy of the existing set of rules, marked to show where the amendments occur, and what they are;
   (c) A statutory declaration of an officer of the society that the amendment now submitted for registration has been duly made by the society.

3. (a) Is membership of the society required to obtain the benefits or facilities offered by the society?

   Yes ☑ No ☐

   The society is (please tick only ONE of the boxes below):

   ☑ A bona fide co-operative society
   ☐ A benefit of the community society
(b) This is demonstrated by the following rules:

2. OBJECTS
4b. MEMBERSHIP OF THE COLLECTIVE
13. DISSOLUTION
14. APPLICATION OF PROFITS

If the society is a benefit of the community society

4. (a) Please give the special reason why it should remain registered as an industrial and provident society rather than registering as a company:

(b) What groups or categories of people does the society benefit?

Form G

Industrial and Provident Societies Act 1965

Declaration in support of an Amendment of Rules pursuant to regulation 6 of the Industrial and Provident Societies (Forms and Procedure) Regulations 1996

Name of Society: TRIANGLE WHOLEFOODS COLLECTIVE

Register No: 21975 R

I, GRAHAM FINOLEY of 11 BRUNSWICK ST, HEDDON ST, have been duly made by the society in the manner provided in the rules of the society for the making, altering or rescinding of rules.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1835.

Signed on behalf of the Society

[Signature]

Secretary

Date: 6th March 01

Declared at: 

KAPLAN...THE CITY

day of: MARCH two thousand

And one

before me,

[Signature]

A Commissioner for Oaths/Solicitor

* or Notary Public or Justice of the Peace.
Form B

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Acknowledgment of Registration of Society

Register No. 21946 R
Calvert's North Star Press

is this day registered under the Industrial and Provident Societies Act 1965.

Date 3rd August 1977

17 North Audley Street
LONDON
W1Y 2AP
RULES OF NORTH STAR PRESS LIMITED (registered under the Industrial and Provident Societies Acts 1965-1976)

1. The NAME of the Society shall be Limited (hereinafter referred to as the Co-operative)

2. The OBJECTS of the Co-operative shall be to carry on the business as a bona fide co-operative society of
   (a) Manufacturing or selling Publishing, Books, magazines, etc.
   (b) Providing the service of Printing, Typesetting, artwork, plate-making, finishing and all related and ancillary processes; Publishing, books, maps, etc.
   (c) Manufacturing or selling or hiring whether as wholesalers, retailers, agents, or otherwise, such other goods (or providing such service) as may be determined by a General Meeting.

   In carrying out the aforesaid objects the Co-operative shall have regard to promoting the physical, mental and spiritual well-being of the community and especially those who participate in the activities of the Co-operative by reason of employment in or purchasing from or selling to the Co-operative and to assist people in need by any means whatsoever.

3. POWERS. The Co-operative shall have power to do all things necessary or expedient for the fulfilment of its objects, provided that the assets of the Co-operative shall be applied only for the purposes of those objects which do not include the making over of assets to any member except for value and except in pursuance of arrangements for sharing the profits of the Co-operative among the members as provided for in Rule 14(b).

4. The REGISTERED OFFICE of the Co-operative shall be at
   12 Brookfaze Buildings, Larkhall, Bath, Avon

5. The SHARE CAPITAL of the Co-operative shall consist of shares of the nominal value of one pound each issued to persons upon admission to Membership of the Co-operative. The shares shall be neither withdrawable nor transferable, shall carry no right to interest dividend nor bonus and shall be forfeited and cancelled on cessation of membership from whatever cause and the amount paid-up thereon shall become the property of the Co-operative. A Member shall hold one share only in the Co-operative.

6. MEMBERSHIP
   (a) The Membership of the Co-operative shall consist of all those who sign the Application for Registration (the Founder Members) and other persons. If an application is sent to the Chief Registrar of Friendly Societies for a certificate that the Co-operative is a common ownership enterprise, any Founder Member who is not employed by (or by a subsidiary of) the Co-operative on the date when the application is so sent shall cease to be a Member on that date provided that if the Registrar refuses to give such a certificate each such former Founder Member may elect to be readmitted as a Founder Member. Except for Founder Members (who shall be subject to the aforementioned provision as to cessation of their membership) only persons who are employed by (or by a subsidiary of) the Co-operative may be Members of it.

   (b) All persons who are employed by (or by a subsidiary of) the Co-operative may be members, subject to any provision in the rules about qualifications for membership which is from time to time made by the Members, by reference to age, length of service, or other factors of any description which do not discriminate between persons by reference to politics or religion.
7. APPLICATION FOR MEMBERSHIP. On application for membership and the payment of £1 by any person qualifying under rule 6(b) above and who has attained the age of 18 years the Co-operative shall issue him or her with one share.

8. CESSION OF MEMBERSHIP. A Member shall cease to be a Member if he or she:
   (a) ceases to be in the employment of the Co-operative for any reason whatsoever.
   (b) ceases to fulfil any other qualifications for membership specified in these rules.
   (c) resigns in writing to the Secretary.
   (d) dies.

9. BORROWING
   (a) The Co-operative shall have power to borrow money for the purpose of the Co-operative in whatsoever manner it may determine including the issue of loan stock provided that the amount for the time being remaining undischarged of money borrowed shall not exceed £100,000.
   (b) The rate of interest on money borrowed, except on money borrowed by way of bank overdraft or on mortgage from a Building Society or Local Authority, shall not exceed 6% per annum, or 3% above the Bank of England Minimum Lending Rate, whichever is the higher.
   (c) The Co-operative may receive from any persons donations or loans free of interest towards the work of the Co-operative.
   (d) The Co-operative may receive any sums of money within the total limit mentioned in section (a) of this Rule, from Members and others on deposit, repayable on such notice being not less than 14 clear days, as they arrange from time to time, provided that such deposits shall be received in instalments of not more than £2 in any one payment or more than £50 in all from any one depositor.

10. MANAGEMENT
   (a) There shall be regular General Meetings of all Members of the Co-operative. These shall be called by the Secretary giving each Member seven clear days notice of the date, time and place of the meeting and the issues upon which decisions are to be taken. The Secretary shall also call a meeting at the request of three or more Members delivered to him or her in writing.
   (b) Each General Meeting shall elect a Chairman whose function will be to conduct the business of the meeting in an orderly manner.
   (c) The Co-operative shall have a Committee of not less than five and not more than nine Committee Members, the number to be decided by a General Meeting. The Committee Members shall be elected each year at the Annual General Meeting. Retiring Committee Members shall be eligible for re-election without nomination. Nominations for the Committee shall be in writing and signed by two Members making the nomination and shall contain a statement by the Member nominated of his or her willingness to be elected. The nominations shall be delivered to the Secretary not less than seven days before the Annual General Meeting. Only Members shall be eligible to be Committee Members. Any Committee Member may be removed from office by a majority vote at a General Meeting called for this purpose. Any remuneration of Committee Members shall be decided by Members in General Meeting. The Committee may exercise all such powers as may be exercised by the Co-operative and are not by these Rules or statute required to be exercised by the Co-operative in General Meeting, subject nevertheless to the provisions of these Rules and any regulations not inconsistent with these Rules made from time to time by the Co-operative in General Meeting.
   (d) A General Meeting shall elect and may remove a Treasurer under their direction to be responsible for the proper management of the financial affairs of the Co-operative.
   (e) A General Meeting shall elect and may remove a Secretary under their direction who will have those functions numerated in these Rules and such further functions as a meeting may determine.
   (f) No business shall be contracted at any General Meeting unless one half or more of the Members are present.

11. VOTING. Every Member present in person at a General Meeting shall have one vote, and questions will be decided upon a majority vote of Members present except for those questions to be decided in accordance with Rule 17.

12. An ANNUAL GENERAL MEETING shall be held within six months of the close of the financial year of the Co-operative, the business of which will include:
   (a) The receipt of the account and balance sheet.
   (b) The appointment of an auditor.
   (c) The election of Committee Members.

13. INVESTMENT OF FUNDS
   The funds of the Co-operative may with the authority of the General Meeting be invested as follows:
   (a) In or upon security in which trustees are for the time being authorised by law to invest; and
   (b) In or upon any mortgage, bond, debenture, debenture stock, corporation stock, rent charge, rent or other security (not being securities payable to bearer) authorised by or under any Act of Parliament
passed or to be passed of any Local Authority as defined by Section 34 of the Local Loans Act, 1875; and
(c) In the shares or on the security of any other society registered or deemed to be registered under the Act, or under the Building Societies Acts, or of any company registered under the Companies Acts, or incorporated by Act of Parliament or by Charter, provided that no such investment be made in the shares of any society or company other than one with limited liability.

The Co-operative may appoint any one or more of its Members to vote on its behalf at the meetings of any other body corporate in which the Co-operative has invested any part of its funds.

14. APPLICATION OF PROFITS. The profits of the Co-operative shall be applied as follows, in such proportions and in such manner as the General Meeting shall decide from time to time:
(a) Firstly, to a general reserve for the continuation and development of the Co-operative.
(b) Secondly, to a bonus to Members,
(c) Thirdly, to make payments for the social and charitable objects in connection with Rule 2.

15. AUDITORS
(a) The Co-operative shall in accordance with Sections 4 and 8 of the Friendly and Industrial and Provident Societies Act 1966 appoint in each year one or more auditors to whom the accounts of the Co-operative for that year shall be submitted for audit as required by the said Act, and who shall have such rights in relation to notice of an attendance and audience at General Meetings, access to books and the supply of information, and otherwise, as are provided by the said Act.

Every such auditor shall be appointed by the Co-operative in a General Meeting, and in the case of any auditor so appointed who is a qualified auditor under Section 7 of the said Act the provisions of Sections 5 and 6 thereof apply to his re-appointment and removal and to any resolution removing him or appointing another person in his place.

(b) Every year not later than the date provided by the Act or where the return is made up to the date allowed by the Registrar, not later than three months after such date, the Secretary shall send to the Registrar, the annual return in the form prescribed by the Chief Registrar of Friendly Societies relating to its affairs for the period required by the Act to be included in the return together with—
1) a copy of the report of the auditor on the Co-operatives accounts for the period included in the return and
2) a copy of each balance sheet made during that period and of the report of the auditor on that balance sheet.

16. RECORDS AND SEAL
(a) The Co-operative shall keep at its registered office a register of Members in which the Secretary shall enter the following particulars—
1) the name and addresses of the Members;
2) a statement of the number of shares held by each Member and of the amount paid or agreed to be considered as paid on the shares of each member;
3) a statement of other property in the Co-operative, whether in loans, deposits or otherwise, held by each Member;
4) the date at which each person was entered in the register as a Member, and the date at which any person ceased to be a Member;
5) the names and addresses of the officers of the Co-operative, with the offices held by them respectively and the dates on which they assumed office.

Any Member changing his address shall notify the Co-operative.

(b) The Co-operative shall have a seal kept in the custody of the Secretary and used only by the authority of a General Meeting. Sealing shall be attested by the signatures of two Members and that of the Secretary for the time being.

17. AMENDMENTS TO RULES
(a) Any rule herein may be rescinded or amended or a new rule made by the vote of three quarters of all the Members of the Co-operative at a General Meeting where all the Members of the Co-operative have been given seven clear days prior notice of the change to be proposed at that meeting.

(b) No amendment of rules is valid until registered.

18. DISSOLUTION. The Co-operative may be dissolved by the consent of three-quarters of the Members by their signatures to an instrument of dissolution provided for in the Treasury Regulations or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, the assets shall not be distributed among the Members but shall be transferred to such a common ownership enterprise or such a central fund maintained for the benefit of common ownership enterprises, as may be determined by the Members at or before the time of the winding up or dissolution or, in so far as the assets are not so transferred, shall be held for charitable purposes.

19. DECEASED MEMBERS
(a) Upon a claim being made by the personal representative of a deceased Member or the trustee in bank-
ruptcy of a bankrupt Member to any property in the Co-operative belonging to the deceased or bankrupt Member the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.

(b) A Member may in accordance with the Act nominate any person or persons to whom any of his property in the Co-operative at the time of his death shall be transferred but such nomination shall only be valid to the extent of the amount for the time being provided in the Act. On receiving satisfactory proof of death of a Member who has made a nomination the General Meeting shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.

20. DISPUTES. Any such dispute as is referred to in Section 60 (1) of the Industrial and Provident Societies Act 1965 shall be referred to and decided by the Chief Registrar of Friendly Societies.

21. In these rules 'The Act' refers to the Industrial and Provident Societies Acts 1965 to 1975 or any Act or Acts amending or in substitution for them for the time being in force.

<table>
<thead>
<tr>
<th>Signatures of FOUNDER MEMBERS</th>
<th>Names in block letters</th>
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<tbody>
<tr>
<td>1. DR H. Berry</td>
<td>JOHN RICHARD BERRY</td>
</tr>
<tr>
<td>2. A. Waterhouse</td>
<td>ANTHONY RUPERT WATERHOUSE</td>
</tr>
<tr>
<td>3. C. NEVETT</td>
<td>CAROLYNE NEVETT</td>
</tr>
<tr>
<td>4. Lorraine Holdstock</td>
<td>LORRAINE MARY HOLDSTOCK</td>
</tr>
<tr>
<td>5. Clare Palmer</td>
<td>CLARE PALMER</td>
</tr>
<tr>
<td>6. Marilyn F.D. Noad</td>
<td>MARILYN F.D. NOAD</td>
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<td>7. Nicola Palmer</td>
<td>NICOLA PALMER</td>
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* Secretary: 

6. Marilyn F.D. Noad

Marilyn Faye Dalick Noad
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Application for the registration of a society, pursuant to section 2 of the Act

To the Central Office of the Registry of Friendly Societies

1. We, the undersigned, being seven members and the secretary of a society hereby apply for the registration of the society under the Industrial and Provident Societies Act 1965 under the name... Limited and herewith send two printed copies of its rules, both of which copies are signed at the end thereof by each of us.

2. The rules contain provisions in respect of the matters mentioned in Schedule 1 to the Act as follows.—

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Signatures of Applicants

1. John R. Berry
   [Block Letters] John Richard Berry
   Address: 68 Kellett Road
   London SW1

2. Lorraine Holdstock
   [Block Letters] Lorraine Mary Holdstock
   Address: 626 Great Russell St
   London WC1B 5JY

3. A. Waterhouse
   [Block Letters] Anthony Rupert Waterhouse
   Address: 12 Brook Lefées Bldgs
   Bath, Avon

4. C. Nevett
   [Block Letters] Caroline Nevett
   Address: 11 Ella Road
   London N8

5. Clare Palmer
   [Block Letters] Clare Palmer
   Address: 3 Chetwynd Road
   London NW5

Marilyn F. D. Nodd
   [Block Letters] Marilyn F. D. Nodd
   Address: 13 Hampstead Hill
   Cads, London NW3

6. Marilyn Nodd
   [Block Letters] Marilyn Nodd
   Address: 100a Southampton Row
   London WC1

7. Nicola Palmer
   [Block Letters] Nicola Palmer
   Address: 3 Chetwynd Road
   London NWS

Signature of Secretary.

Clare Palmer

Full Names: Clare Palmer

Address: 3 Chetwynd Road

London NW5

Date: 7.4.77

Name and address to which communications are to be sent:

3 Chetwynd Road, London NW5

Where a (reduced) fee is to be paid because the rules accompanying this application are the model rules of a promoting organisation and the application is being made through the organisation, that organisation should endorse this form in the space below before it is sent to the Central Office.

This application is endorsed by the Industrial Common Ownership Movement.

Amita Renickers
M. ICOM

(C-7199) Ds. 189096 3M 7/76 S.P.BJ. Op. 652
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

 Acknowledgment of Registration of Amendment of Rules

Register No. ........................................ 21946 R

The amendment of the rules of the Calvert's North Star Press
.................................................................................................................................................................................. Limited

to which this acknowledgment is attached, is this day registered under the Industrial and Provident Societies Act 1965.

15-17 GREAT MARLBOROUGH STREET
LONDON
W1V 2AX

Date ........................................ 8 July 1986

Bas 257683/2/8801285 2m 6/84 TP
RULES OF

CALVERT'S NORTH STAR PRESS

LIMITED

(All previous Rules rescinded)

(registered under the Industrial and Provident Societies Acts 1965-1978)

1. The NAME of the Society shall be CALVERT'S NORTH STAR PRESS

                           Limited (hereinafter referred to as the Co-operative)

2. The OBJECTS of the Co-operative shall be to carry on the business as a bona fide co-operative society of
   (a) Manufacturing or selling

                           Providing the service of Printing, Typesetting, Artwork, Platemaking, Finishing
                           and all ancillary and related processes, Publishing

   (b) Manufacturing or selling or hiring whether as wholesalers, retailers, agents, or otherwise, such
       other goods (or providing such service) as may be determined by a General Meeting.

       In carrying out the aforesaid objects the Co-operative shall have regard to promoting the physical, mental
       and spiritual well-being of the community and especially those who participate in the activities of the Co-operative
       by reason of employment in or purchasing from or selling to the Co-operative and to assist people in need by
       any means whatsoever.

3. POWERS. The Co-operative shall have power to do all things necessary or expedient for the
   fulfilment of its objects, provided that the assets of the Co-operative shall be applied only for the
   purposes of those objects which do not include the making over of assets to any member except for
   value and except in pursuance of arrangements for sharing the profits of the Co-operative among
   the members as provided for in Rule 14(b).

4. The REGISTERED OFFICE of the Co-operative shall be at
   31 - 39 Redchurch Street, E1

5. The SHARE CAPITAL of the Co-operative shall consist of shares of the nominal value of one
   pound each issued to persons upon admission to Membership of the Co-operative. The shares shall
   be neither withdrawable nor transferable, shall carry no right to interest dividend nor bonus and
   shall be forfeited and cancelled on cessation of membership from whatever cause and the amount
   paid-up thereon shall become the property of the Co-operative. A Member shall hold one share only
   in the Co-operative.

6. MEMBERSHIP
   (a) The Membership of the Co-operative shall consist of all those who sign the Application for
       Registration (the Founder Members) and other persons. If an application is sent to the Chief
       Registrar of Friendly Societies for a certificate under the provisions of the Industrial Common
       Ownership Act 1976 that the Co-operative is a common ownership enterprise, any Founder
       Member who is not employed by (or by a subsidiary of) the Co-operative on the date when
       the application is so sent shall cease to be a Member on that date provided that if the Registrar
       refuses to give such a certificate each such former Founder Member may elect to be readmitted
       as a Founder Member. Except for Founder Members (who shall be subject to the aforementioned
       provision as to cessation of their membership) only persons who are employed by (or by a
       subsidiary of) the Co-operative may be Members of it.

   (b) All persons who are employed by (or by a subsidiary of) the Co-operative may be members,
       subject to any provision in the rules about qualifications for membership which is from time to
       time made by the Members, by reference to age, length of service, or other factors of any
       description which do not discriminate between persons by reference to politics or religion.
7. APPLICATION FOR MEMBERSHIP. On application for membership and the payment of £1 by any person qualifying under Rule 6(b) above and who has attained the age of 18 years the Co-operative shall issue him or her with one share and a copy of the Rules of the Co-operative.

8. CESSATION OF MEMBERSHIP. A Member shall cease to be a Member if he or she:
   (a) ceases to be in the employment of the Co-operative for any reason whatsoever,
   or (b) ceases to fulfil any other qualifications for membership specified in these Rules,
   or (c) resigns in writing to the Secretary.

9. BORROWING
   (a) The Co-operative shall have power to borrow money for the purposes of the Co-operative in whatsoever manner it may determine including the issue of loan stock providing that the amount for the time being remaining undischarged of money borrowed shall not exceed £1,000,000.
   (b) The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or on mortgage from a Building Society or Local Authority (or from a Finance House or Hire Purchase Company or Leasing Company approved by resolution of the Council of the Industrial Common Ownership Movement Limited) shall not exceed 6½% per annum or 3% above the Co-operative Bank P.L.C. Base Lending Rate at the commencement of the loan, whichever is the higher.
   (c) The Co-operative may receive from any persons donations or loans free of interest towards the work of the Co-operative.
   (d) The Co-operative may receive any sums of money within the total limit mentioned in section (a) of this Rule, from Members and others on deposit, repayable on such notice being not less than 14 clear days, as they arrange from time to time, provided that such deposits shall be received in instalments of not more than £10 in any one payment or more than £250 in all from any one depositor.
   (e) The Co-operative shall have power to mortgage or charge any of its property, to issue debentures and other securities, and to charge any or all of its assets as security for money borrowed.

10. MANAGEMENT
   (a) There shall be regular General Meetings of the Members of the Co-operative called by the Secretary. The posting of a notice on a notice board giving the date time place and agenda seven days before the date of the meeting shall constitute adequate notice. The Secretary shall also call a meeting at the request of three or more Members delivered to the Secretary in writing.
   (b) Each General Meeting shall elect a Chairperson whose function is to conduct the business of the meeting in an orderly manner.
   (c) The Co-operative shall have a Committee of not less than five and not more than nineteen Committee Members, the number to be decided by a General Meeting. The Committee Members shall be elected each year at the Annual General Meeting. Retiring Committee Members shall be eligible for re-election without nomination. Nominations for the Committee shall be in writing and signed by two Members making the nomination and shall contain a statement by the Member nominated of his or her willingness to be elected. The nominations shall be delivered to the Secretary not less than seven days before the Annual General Meeting. Only Members shall be eligible to be Committee Members. Any Committee Member may be removed from office by a majority vote at a General Meeting called for this purpose. Any remuneration of Committee Members shall be decided by Members in General Meeting. The Committee may exercise all such powers as may be exercised by the Co-operative and are not by these Rules or statute required to be exercised by the Co-operative in General Meeting, subject nevertheless to the provisions of these Rules and any regulations not inconsistent with these Rules made from time to time by the Co-operative in General Meeting.
   (d) A General Meeting shall elect and may remove a Treasurer under their direction to be responsible for the proper management of the financial affairs of the Co-operative.
   (e) A General Meeting shall elect and may remove a Secretary under their direction who will have those functions numerated in these Rules and such further functions as a meeting may determine.
   (f) No business shall be contracted at any General Meeting unless one half or more of the Members are present.

11. VOTING. Every Member present in person at a General Meeting shall have one vote, and questions will be decided upon a majority vote of Members present except for those questions to be decided in accordance with Rule 17.

12. An ANNUAL GENERAL MEETING shall be held within six months of the close of the financial year of the Co-operative, the business of which will include:
   (a) The receipt of the account and balance sheet.
   (b) The appointment of an auditor.
   (c) The election of Committee Members.
13. INVESTMENT OF FUNDS
The funds of the Co-operative may with the authority of the General Meeting be invested as follows:
(a) In or upon security in which trustees are for the time being authorised by law to invest; and
(b) In or upon any mortgage, bond, debenture, debenture stock, corporation stock, rent charge, rent or other security (not being securities payable to bearer) authorised by or under any Act of Parliament passed or to be passed of any Local Authority as defined by Section 34 of the Local Loans Act, 1875;
and
(c) In the shares or on the security of any other society registered or deemed to be registered under the Act, or under the Building Societies Acts, or of any company registered under the Companies Acts, or incorporated by Act of Parliament or by Charter, provided that no such investment be made in the shares of any society or company other than one with limited liability.

The Co-operative may appoint any one or more of its Members to vote on its behalf at the meetings of any other body corporate in which the Co-operative has invested any part of its funds.

14. APPLICATION OF PROFITS. The profits of the Co-operative shall be applied as follows, in such proportions and in such manner as the General Meeting shall decide from time to time:
(a) Firstly, to a general reserve for the continuation and development of the Co-operative.
(b) Secondly, to a bonus to Members.
(c) Thirdly, to make payments for the social and charitable objects in connection with Rule 2.

15. AUDITORS
(a) The Co-operative shall in accordance with Sections 4 and 8 of the Friendly and Industrial and Provident Societies Act 1968 appoint in each year one or more auditors to whom the accounts of the Co-operative for that year shall be submitted for audit as required by the said Act, and who shall have such rights in relation to notice of and attendance at General Meetings, access to books and the supply of information, and otherwise, as are provided by the said Act.
Every such auditor shall be appointed by the Co-operative in a General Meeting, and in the case of any auditor so appointed who is a qualified auditor under Section 7 of the said Act the provisions of Sections 5 and 6 thereof apply to his/her re-appointment and removal and to any resolution removing him/her or appointing another person in his/her place.
(b) Every year not later that the date provided by the Act or where the return is made up to the date allowed by the Registrar, not later than three months after such date, the Secretary shall send to the Registrar, the annual return in the form prescribed by the Chief Registrar of Friendly Societies relating to its affairs for the period required by the Act to be included in the return together with—
(1) a copy of the report of the auditor on the Co-operatives accounts for the period included in the return and
(2) a copy of each balance sheet made during that period and of the report of the auditor on that balance sheet.

16. RECORDS AND SEAL
(a) The Co-operative shall keep at its registered office a register of Members in which the Secretary shall enter the following particulars—
(1) the names and addresses of the Members;
(2) a statement that one share only is held by each Member and that £1 has been paid, or agreed to be considered as paid, on each share;
(3) a statement of other property in the Co-operative, whether in loans, deposits or otherwise, held by each Member;
(4) the date at which each person was entered in the register as a Member, and the date at which any person ceased to be a Member;
(5) the names and addresses of the officers of the Co-operative, with the offices held by them respectively and the dates on which they assumed office.
Any Member changing his/her address shall notify the Co-operative.
(b) The Co-operative shall have a seal kept in the custody of the Secretary and used only by the authority of a General Meeting. Sealing shall be attested by the signatures of two Members and that of the Secretary for the time being.

17. AMENDMENTS TO RULES
(a) Any rule herein may be rescinded or amended or a new rule made by the vote of three quarters of all the Members of the Co-operative at a General Meeting where all the Members of the Co-operative have been given seven clear days prior notice of the change to be proposed at that meeting.
(b) No amendment of rules is valid until registered.

18. DISSOLUTION. The Co-operative may be dissolved by the consent of three-quarters of the Members by their signatures to an instrument of dissolution provided for in the Treasury Regulations or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, the assets
shall not be distributed among the Members but shall be transferred to such a common ownership enterprise or such a central fund maintained for the benefit of common ownership enterprises, as may be determined by the Members at or before the time of the winding up or dissolution or, in so far as the assets are not so transferred, shall be held for charitable purposes.

19. DECEASED MEMBERS
(a) Upon a claim being made by the personal representative of a deceased Member or the trustee in bankruptcy of a bankrupt Member to any property in the Co-operative belonging to the deceased or bankrupt Member the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.
(b) A Member may in accordance with the Act nominate any person or persons to whom any of his/her property in the Co-operative at the time of his/her death shall be transferred but such nomination shall only be valid to the extent of the amount for the time being provided in the Act. On receiving satisfactory proof of death of a Member who has made a nomination the General Meeting shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.

20. DISPUTES. Any such dispute as is referred to in Section 60 (1) of the Industrial and Provident Societies Act 1965 shall be referred to and decided by the Chief Registrar of Friendly Societies.

21. In these rules ‘The Act’ refers to the Industrial and Provident Societies Acts 1965 to 1978 or any Act or Acts amending or in substitution for them for the time being in force.

**Signatures of FOUNDER MEMBERS**

<table>
<thead>
<tr>
<th>Number</th>
<th>Signature</th>
<th>Full names in BLOCK LETTERS (no initials)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>N. L. Palmer</td>
<td>NICOLA PALMER</td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td>JUDY. TYRELL</td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td>JEREMY CHARLES YOUNG</td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td>LINDA ADRIENNE LEE</td>
</tr>
<tr>
<td>5.</td>
<td>J. M. Woodley</td>
<td>JAMES WOODLEY</td>
</tr>
<tr>
<td>6.</td>
<td>K. Burton</td>
<td>KIM BARTON</td>
</tr>
<tr>
<td>7.</td>
<td>S. M. Whittard</td>
<td>SION WHELENS</td>
</tr>
<tr>
<td>Secretary</td>
<td>R. V. MIDDLETON</td>
<td>BRIDGET ANTONIA MIDDLETON</td>
</tr>
</tbody>
</table>
INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965.

Application to Register a Complete Amendment of Rules pursuant to section 10 of the Act.

Name of Society ..................CALVERT'S NORTH STAR PRESS ................................Limited

Register No............21946...........R

To the Central Office.

1. Application is hereby made for the registration of an amendment of rules, being a substitution of an entire set of rules for the existing set of rules.

2. The rules contain provision in respect of the matters mentioned in Schedule 1 to the Act as follows:

<table>
<thead>
<tr>
<th>Matters to be provided for</th>
<th>Number of rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The name of the society.</td>
<td>(a) 1</td>
</tr>
<tr>
<td>(b) The objects of the society.</td>
<td>(b) 2</td>
</tr>
<tr>
<td>(c) The registered office of the society, to which all communications and notices to the society may be addressed.</td>
<td>(c) 4</td>
</tr>
<tr>
<td>(d) The terms of admission of the members, including any society or company investing funds in the society under the provisions of the Act.</td>
<td>(d) 6, 7, 8</td>
</tr>
<tr>
<td>(e) The mode of holding meetings, the scale and right of voting, and the mode of making, altering or rescinding rules.</td>
<td>(e) 10, 11, 12, 17</td>
</tr>
<tr>
<td>(f) The appointment and removal of a Committee of Management (by the name of the Committee) and of managers or other officers, and their respective powers and remuneration.</td>
<td>(f) 10(c)</td>
</tr>
<tr>
<td>(g) The maximum amount of interest in the shares of the society which may be held by any member otherwise than by virtue of section 6(1) (a) (b) or (c) of the Act.</td>
<td>(g) 5</td>
</tr>
<tr>
<td>(h) Whether the society may contract loans or receive money on deposit subject to the provisions of the Act from members or others; and, if so, under what conditions, under what security, and to what limits of amount.</td>
<td>(h) 9</td>
</tr>
<tr>
<td>(i) Whether the shares or any of them shall be transferable, the form of transfer and registration of the shares, and the consent of the committee thereto; whether the shares or any of them shall be withdrawable, and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society.</td>
<td>(i) 5</td>
</tr>
<tr>
<td>(j) The audit of accounts by one or more auditors appointed by the society in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968.</td>
<td>(j) 15</td>
</tr>
<tr>
<td>(k) Whether and, if so, how members may withdraw from the society, and provision for the claims of the representatives of deceased members or the trustees of the property of bankrupt members, or, in Scotland, members whose estate has been sequestrated, and for the payment of nominees.</td>
<td>(k) 8, 19</td>
</tr>
<tr>
<td>(l) The mode of application of profits.</td>
<td>(l) 14</td>
</tr>
<tr>
<td>(m) The custody and use of the society’s seal.</td>
<td>(m) 16</td>
</tr>
<tr>
<td>(n) Whether and, if so, by what authority, and in what manner, any part of the society’s funds may be invested.</td>
<td>(n) 13</td>
</tr>
</tbody>
</table>
3. These accompany this application:

(a) two printed copies of the amendment of rules, one marked \( \text{A} \) and enclosed "All previous rules rescinded" and signed at the end by three members and the secretary of the society;

(b) a statutory declaration of an officer of the society that the amendment now submitted for registration has been duly made by the society.

Signed on behalf of the Society

Patricia King

Secretary

Date: May 2, 1986

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Declaration in support of an Amendment of Rules pursuant to regulation 4 of the Industrial & Provident Societies Regulations 1965

Name of Society: \( \text{Company Name} \) Limited

Register No.: 21946 R

1, Bridget-Middleton

of 123, Shakespeare Road, London SE24

an officer of the above-named society, do solemnly and sincerely declare that the amendment of the rules of the said society, a copy of which is appended hereto marked \( \text{A} \), has been duly made by the society in the manner provided in the rules of the society for the making, altering or rescinding of rules.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at \( \text{Place} \), the 30th day of

Anno Domini one thousand nine hundred and before me,

HARMAN GABINSEL & CO.

Solicitors

294 Seven Sisters Road, Finchley, N3, ARK.

Telephone: 01 809 3493

Signature of Declarant

This application has been endorsed by the Industrial Common Ownership Movement (ICOM) Ltd

Maureen Ruddock

Administrative Assistant.

15th May, 1986

*or Commissioner for Oaths or Notary Public or Justice of the Peace.
Bibliography


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