

Exhibit 10 – summary of key clauses contained in the bye-laws (articles) used by the Institute of Community Economics (USA)

(section 3)

The following are contained in the “bye-laws” or constitution used by the Institute of Community Economics:

1. Name and (charitable) objects of the organisation;
2. Membership – distinguishing between “regular” and “lessee” membership. It provides for conditions of continuing membership (attendance at meetings), dues payable, voting rights of regular and lessee members, decision-making rights. Regular members have to assent to any changes in the re-sale formula, amendment of the Rules or dissolution – such decisions cannot be taken by a simple majority;
3. Rules governing meetings – regular, special and open meetings, quorum, decision-making, minutes;
4. Composition of the Board and number of directors. Crucially, it provides for 12 board members, divided into three categories of four directors each. The categories are lessees, general representatives (representing general members) and “public representatives” representing the interests of the general public. This is an attempt to retain an internal balance between the interests of residents, the wider community and the Corporation itself and it should be noted that it prevents residents from having a majority on the Board. This mechanism is of particular interest in terms of the agenda of capturing value, specifically protection from de-mutualisation and leasehold enfranchisement. Only lessee members can elect lessee Board members unless no lessee members are present, in which case general members can vote; only general members can elect general Board members unless no general members are present, in which case lessee members can vote. All members are entitled to vote for the public representative Board members.
5. The Board is under an obligation to ensure that at least one-third of Board members is drawn from low-income groups.
6. There are provisions defining the term of Board membership, retirement and removal of Directors and procedures governing the conduct of Board meetings.
7. Powers of Directors include use of consultants, creation of appropriate committees, calling special meetings, approving loans and borrowings, but their powers are explicitly limited in relation to the sale of land or alteration to the re-sale formula”, as well as amendment of the rules. Any such changes would require the approval of the Regular Membership;
8. there are provisions for the appointment and removal of Corporation officers and governing the role of the President, Vice-President, Treasurer and Secretary;
9. the principles of land use and the ability to grant a mortgage over the land (it requires the approval of the Board and consent of any lessees of the land) are set out; the emphasis, again, is on access to the land by people on a low income and the provision of affordable housing, as well as the long-term well-being of members of the community and the long-term health of the environment. These provisions are widely drawn and clearly leave considerable scope for interpretation. The Rules are silent as to how any conflict between the community, the provision of affordable housing and the environment should be resolved;

10. The Rules state explicitly that sale of the land is contrary to the philosophy and purposes of the Corporation and that it can therefore only take place in “extraordinary circumstances”. Approval of two-thirds of the entire Board is required; sale must be in the best interests of the charitable purposes of the Corporation and the proceeds must be used for other activities serving the same purposes. Otherwise, sale requires approval by two-thirds of the Board and two-thirds of Regular Members present at a quorate meeting and the written consent of any lessees of the land to be sold.
11. The Rules impose a specific obligation on the Corporation to ensure the preservation of affordability of housing and the application of the re-sale formula, but also provide a power to provide housing to other groups “for reasons consistent with the charitable purposes of the Corporation”, in which case the formula need not apply.
12. The Re-sale formula: the general principles are stated, namely “to allow the seller to receive a price based on the value that the seller has actually invested in the property being sold; and, to the extent possible, the formula shall limit the price of the property to an amount that will be affordable for other low-income [or low- and moderate-income] people at the time of the transfer of ownership”. The Rules go on to set the procedures for adoption of the formula:

“a. An affirmative vote by at least two thirds of the entire Board of Directors at any regular or special Board meeting, provided that written notice of such meeting has set forth the proposed formula with an explanation thereof; and

b. An affirmative vote by at least two thirds of the Regular Members present at any regular or special Membership meeting, a quorum being assembled, provided that written notice of such meeting has set forth the proposed formula with an explanation thereof.”

and the procedures for altering it:

“ the resale formula shall not be altered unless the Board of Directors and Regular Members of the Corporation determine that the current formula presents an obstacle to the achievement of the purposes of the Corporation. In such an event, the resale formula may be altered only by a two thirds vote of the entire Board of Directors and a two thirds vote of the Regular Members present at a Membership meeting, as described above for the adoption of the formula.”

13. Amendment of the Rules: again, a two-thirds majority of the Board and of a quorate meeting of regular members is required.
14. The same applies to any decision to dissolve the Corporation and distribute its assets;

Finally, there are a number of standard miscellaneous provisions relating to matters such as the fiscal year, first annual meeting, signatures and the like.

It is worth noting at this stage that it would seem unlikely that the above Rules, as they stand, would be robust enough to withstand British legislation, in particular leasehold enfranchisement provisions, and may not cope with planning issues if a conflict were raised, for example, between environmental concerns and housing needs.