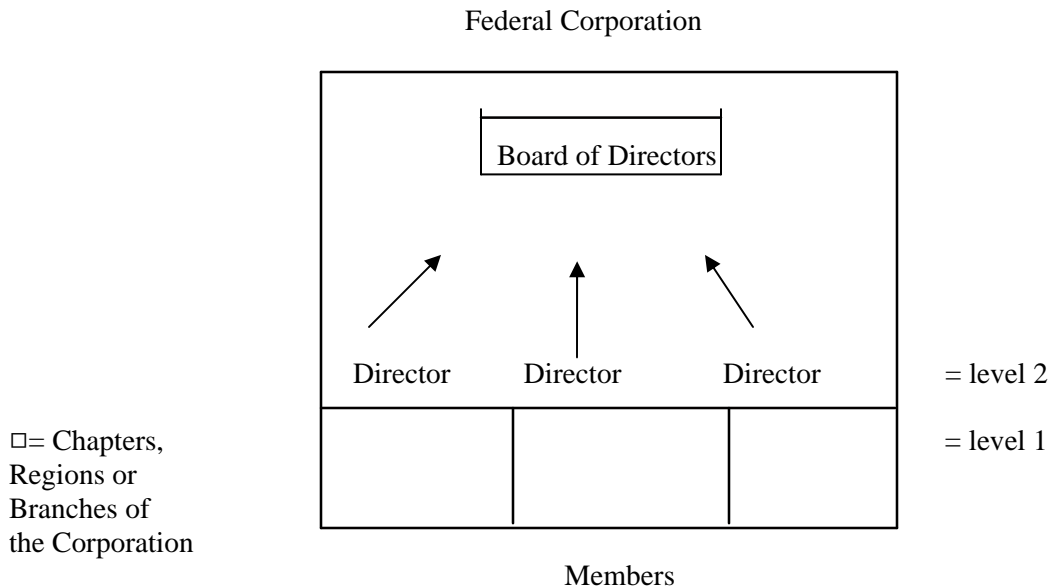
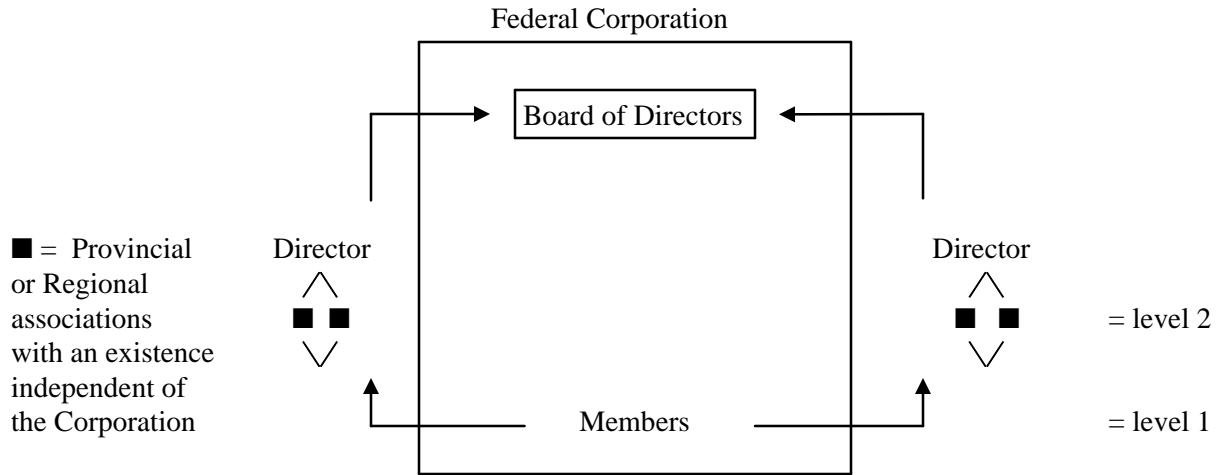


ANNEX 1

MODEL BY-LAW SUPPLEMENT

BY-LAWS RELATING TO CORPORATIONS WITH MORE THAN ONE "LEVEL"

You may wish to design a corporate structure which has one or more "levels" between the Board of Directors and the Membership. The terminology used to describe the intermediate "level" is not important. The following diagrams illustrate typical intermediate "levels".



When adopting this kind of structure, it is important to deal clearly with certain matters in your by-laws:

I MEMBERSHIP

1. State clearly which of the “levels” are the “members” of the corporation, e.g. the individuals at the bottom of the regional associations or both?
2. Are there different kinds of membership for different levels? e.g. individuals are Class A members, regional associations are Class B members.
3. What are the different rights attaching to different classes of membership? e.g. Class A members to have right to vote, Class B members to have no voting rights.
4. How is each type of member admitted to membership? e.g. on application approved by resolution of the board of directors, or, approved by resolution of the board of directors upon recommendation of the executive of the chapter in whose area the applicant lives, or, automatically, upon admission as a member of the chapter.

Please note that where the regional associations are already in existence at the time of the federal incorporation, neither they nor their members can be made members of the federal corporation without their consent. Any “admission to membership clause” which says that certain specific entities are members should be careful to use the words “upon application for membership”.

II APPOINTMENT OR ELECTION OF DIRECTORS

State clearly who appoints or elects the directors to manage the corporation.

- e.g. the individual members voting together at the annual meeting of the federal corporation using a formula to ensure regional representation
- e.g. the individual members voting in separate regional units at the annual meeting of the federal corporation, to select a certain number of directors per region
- e.g. the members of the regional associations voting in their respective regional meetings to select a certain number of directors per regional association
- e.g. the executive of the regional associations appointing a certain number of persons to represent the regional association on the board of directors of the federal corporation
- e.g. the federal board of directors appointing a certain number of persons to succeed themselves, from a list of nominees submitted by the regional associations

III REMOVAL OF DIRECTORS

Directors must be removable for any reason. Unless they are elected by the voting members (through their delegates, if applicable) annually, they must be removable by those voting members (through their delegates, if applicable) in addition to anyone else.

1. In the by-laws, specify whether a director is removable only by the membership of the region who elected him, or whether the membership as a whole, of the federal corporation, votes on his removal.

2. In the by-laws, specify how a special general meeting of voting members can be requisitioned by those members for the purpose of voting on the removal of a director. In the case where members' permanent delegates to members' meetings are themselves the directors, go on to clarify that this is a meeting of the voting members themselves and that they will not be voting through their delegates.

IV MEMBERS MEETINGS

1. Reasonable notice must always be sent in writing directly to the voting member. If he is an individual, it should not go to the regional association of which he forms a part, and not to any delegate which may represent him on a permanent basis at members' meetings (unless some clear mechanism can be set out whereby it is inevitable that the regional association or delegate will deliver the written notice to each voting member).

In cases where the members' permanent delegate to members' meetings is also the individual who represents them on the board of directors of the corporation, the by-laws must make it very clear that the voting members themselves have the right to attend all members' meetings even though their vote is exercised through their delegate.

2. State clearly how the right to vote is to be exercised.

e.g. each voting member can go directly to the annual meeting to vote, or can send his proxy

e.g. each voting member can submit his mail ballot (except where the Act or by-laws require a meeting)

e.g. if the voting members are the individuals (level 1), the voting members from each region get together (perhaps at a regional association meeting), select a certain number of delegates, carrying a certain number of votes, to represent them at the members' meeting, for a certain period of time. It should be clear whether the delegate so selected is also the director representing that region on the board of directors

V CONTROLS ON CHAPTERS

Where the federal corporation has, by its by-laws, delegated certain powers to its chapters or branches, for example the power to accept an individual as a member on behalf of the corporation, the by-laws of the federal corporation should go on to specify how those chapters and branches are responsible to the board of directors of the corporation which manages the corporation, e.g. submit by-laws and financial statements to national board of directors for approval, provide for creation and disbandment of chapters or branches etc.