TOWN OF AJAX

Ajax – November 23, 2011

Getting Ready for the New Ontario Not-for-Profit Corporations Act

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OVERVIEW

• Current status of the Ontario Not-for-Profit Corporations Act, 2010 (“ONCA”)
• Overview of key features of the ONCA
• Continuance process and practical steps

RESOURCES

• Charity Law Bulletin “The Nuts and Bolts of the Ontario Not-For-Profit Corporations Act, 2010” on our website at www.charitylaw.ca
• To view ONCA in its entirety, see: http://www.ontla.on.ca/web/bills/bills%20_detail.do?locale=en&Intranet=&BillID=2347

A. CURRENT STATUS OF ONCA

• The Ontario Corporations Act (“OCA”) has not been substantively amended since 1953
• Bill 65 introduced the ONCA on May 12, 2010 to govern corporations under Part III of the OCA
• ONCA received Royal Assent on October 25, 2010
• ONCA is expected to be proclaimed in force in late 2012
• Draft regulations, default by-laws and plain language guides are expected to be released for public comment in early 2012
• Updated Not-For-Profit Incorporator’s Handbook is expected to be released in late 2011
Advisory Committee comprised of industry and government representatives is involved in the ongoing process of implementing the ONCA and relevant documents

Ministry of Government Services – will be responsible for searches and filing

Ministry of Consumer Services – will be responsible for remaining areas, including policy and interpretation issues

Possible developments to watch for
   – New government might amend the ONCA
   – The degree to which the regulations might allow for the exercise of discretion (e.g. change amounts for financial audit)

1. Incorporation and Corporate Powers

   Replaces the letters patent system with a statutory regime similar to Ontario Business Corporations Act

   Removes ministerial discretion to incorporate, in that incorporation will be as of right

   Obtain certificate of incorporation, not letters patent

   Only one incorporator is needed

   No requirement to file by-laws or financial statements with the government, but default by-law will apply if no by-law adopted within 60 days after incorporation

   Corporation has the capacity, rights, powers and privileges of a natural person

   Eliminates the concept of a corporation’s activities being ultra vires
   – If a corporation acts outside of its purposes, then it has breached the ONCA but the act is valid
   – Makes little difference since directors have a duty to comply with the articles of the corporation, which may limit the object and purpose of the corporation, and in any event, charities have to comply with the requirements in other statutes e.g. Income Tax Act)
2. Public Benefit Corporations (PBCs)
   • All corporations categorized into PBCs and non PBCs
   • PBCs include
     – “charitable corporations” - uses common law definition
     – Non-charitable corporations that receive more than $10,000 in a financial year in funding from public donations or the federal or a provincial or municipal government or an agency of such government
   • When a non-charitable corporation reaches the $10,000 threshold in a financial year, it will become a PBC starting from the first annual members’ meeting in the following financial year for a year

• Consequences of being a PBC
  – Not more than one third of the directors of a PBC may be employees of the corporation or its affiliates
  – Higher thresholds for dispensing with the default requirement to appoint an auditor or a person to conduct a review engagement requirements
  – Upon the liquidation and dissolution, its net assets must be distributed in the following manner
    ▪ If it is a charitable corporation, then to a charitable corporation with similar purposes or to a government or government agency
    ▪ If it is a non-charitable corporation, then to a PBC with similar purposes or to a government or government agency

• Upon the liquidation and dissolution of a non-PBC, its net assets must be distributed in accordance with the articles, or if the articles do not address that issue, then rateably to the members
• A PBC may not distribute the fair value of a membership to a member upon termination of that member’s membership
• Since a corporation is a PBC for a year, it is possible that some non-charitable corporations could oscillate between PBC and non-PBC status
• Non-charitable corporations will need to monitor their funding sources
• If a non-charitable corporation is concerned about oscillation, it can voluntarily be structured as a PBC
  – Ensure 2/3 of directors are not employees (but charities cannot have any directors who are employees)
  – Ensure the articles provide that property will be paid to another PBC with similar purposes or to a government or government agency upon liquidation
• For those years when it exceeds the $10,000 threshold
  – Follow audit and audit and review rules for PBC corporations – may not be an issue if the corporation’s practice is to have its financial statement audited

3. Financial Review
  • Members are required to appoint by ordinary resolution an auditor or person to conduct a review engagement at each annual meeting

<table>
<thead>
<tr>
<th>Type of Corp/Gross Annual Revenues (GAR)</th>
<th>Requirements for an Auditor</th>
<th>Audit/Review Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-PBC corporation with GAR of $500,000 or less in annual revenue (s.76(2)(a))</td>
<td>May, by extraordinary resolution (80%), dispense with an auditor</td>
<td>May, by extraordinary resolution (80%), dispense with an audit and a review engagement by extraordinary resolution (80%)</td>
</tr>
<tr>
<td>More than $500,000 in annual revenue (s.76(2)(a))</td>
<td>May, by extraordinary resolution (80%), dispense with an auditor and have someone else conduct a review engagement. This requires an extraordinary resolution (80%)</td>
<td>May, by extraordinary resolution (80%), dispense with an auditor, and instead appoint a person to conduct a review engagement. May elect to have a review engagement instead of an audit by extraordinary resolution (80%)</td>
</tr>
<tr>
<td>$500,000 or more in annual revenue (application of s.68(2))</td>
<td>An auditor must be appointed annually</td>
<td>Audit is required</td>
</tr>
</tbody>
</table>
4. Number of Directors and Election
   - Minimum 3 directors
   - Articles may provide a maximum and minimum range
   - For PBCs - not more than 1/3 of the directors may be employees of the corporation or its affiliates (charities can have none)
   - Directors are elected at meetings of members
   - Board may appoint additional directors up to 1/3 of the number of directors elected at the previous annual meeting of members
   - Ex-officio directors continue to be permissible
   - Directors are no longer required to be members
   - Maximum 4 year term for directors (but no limit on number of maximum terms)
   - May have staggered terms

5. Directors and Officers – Duties and Defence
   - Objective standard of care - every director and officer must
     - Act honestly and in good faith with a view to the best interests of the corporation
     - Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances
   - Every director and officer must comply with the ONCA, the articles and by-laws
   - Reasonable diligence defence for directors – not liable if fulfilled their duty if they exercise the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances
     - Reasonable due diligence defence includes good faith reliance on financial statements and reports of professionals
     - Weak liability protection, as the government rejected the recommendation to include a partial liability shield for directors

6. Members
   - A corporation must have members
   - Default 1 vote per member, unless articles provide otherwise
   - Articles to set out the classes of members
   - If only one class of members, all are voting
   - If two or more classes, articles must provide voting right to at least 1 class
   - By-laws must set out the conditions for membership
   - Where more than one class, the members of each class have certain built in protections
• All classes of members, even non-voting classes of members, are entitled to vote separately as a class on certain amendments to articles and by-laws dealing with rights and classes of membership
• Non-voting members are given voting rights in some limited circumstances
  – Extraordinary sale
  – Amalgamation
  – Continuance to another jurisdiction
  – Change to any rights or conditions attached to non-voting members or change the rights of other classes of members relative to the rights of the non-voting members
• Thus a class of members could reject a change - effectively resulting in a class veto

• The treatment of members mirrors that in the Ontario Business Corporations Act in relation to shareholder's rights
• In most circumstances, giving non-voting members the right to vote on fundamental changes may not be justified
• Some corporations may want to collapse all membership classes into one class and remove non-voting membership classes
  – change them into a membership category, such as "affiliates", "associates", "supporters"
  – May set out their rights and duties as non-members
  – Consider timing for such change
  – But their donations will not be exempt from the $10,000 threshold

• Default rules to terminate membership and member’s rights apply unless articles or by-laws state otherwise
  – Upon death, resignation, expiry of membership term, liquidation or dissolution of the corporation, expulsion, or termination of membership in accordance with the articles or by-laws
  – Rights terminated upon termination of membership
9. Articles or by-laws may give directors, members or a committee the power to discipline members or terminate the membership
   – If the articles or by-laws provide for this power, then must set out circumstances and the manner in which the power may be exercised
   – The power must be exercised in good faith and in a fair and reasonable manner
     • Must give 15 days notice of a disciplinary action or termination with reasons
     • Opportunity for the member to be heard
   – Member may apply for a compliance or restraining order if that power is misused

7. Members’ Meetings
   • Must be held in Ontario at the place provided in the by-laws or, in the absence of such a provision, at the place within Ontario that the directors determine
   • May be held outside Ontario if the place is specified in the articles or all the members entitled to vote at the meeting agree that the meeting is to be held at that place
   • No longer requires notice be sent by mail provided that notice is given 10 to 50 days before the meeting
   • Directors may fix a “record date” of no more than 50 days before a members’ meeting to determine who the members are for purpose of calling a members’ meeting

20. Every member entitled to vote at a meeting may appoint a proxyholder who does not have to be a member
    • By-laws may allow voting by telephone or electronic means, in addition to voting by proxy
    • Members are entitled to attend members’ meetings by telephonic or electronic means, unless the by-laws provide otherwise
    • If permitted by by-laws, the board or the members may decide whether to hold a members’ meeting entirely by telephonic or electronic means
    • Financial statements, the auditor’s report or report of person who conducted a review engagement, and any further information required by the articles or by-laws must be given to members upon request at least 21 days before an AGM
8. Members’ Rights

- Members may elect and remove directors at anytime
- A member entitled to vote at an annual meeting of members may raise any matter as a “proposal” but must give at least 60 days notice
  - A proposal may nominate directors for election if it is signed by at least 5% of voting members or such lower percentage set out in the by-laws – but this does not preclude nominations made at the meeting
  - Proposal must relate in a significant way to the activities and affairs of the corporation
  - Directors can refuse to discuss the proposal if they give at least 10 days notice, but a member may appeal their decision to court

- Members may requisition meetings of the members (but need 10% of the votes to do so, or lower if the by-laws so states)
- Members may examine certain corporate records – articles, by-laws, the minutes of meetings and resolutions of members and committee of members, registers of directors, officer and members
- Right to access membership lists – to include name and address – only for the purpose of influencing voting, requisitioning a members’ meeting or other matters relating to the affairs of the corporation
- Right to financial statements

9. Members’ Remedies

- Compliance or restraining order – if a corporation, or its directors and officers, fails to comply with the duties set out in the ONCA and regulations, the articles or by-laws
- Rectification order – if the name of a person has been wrongfully entered, retained, deleted or omitted from the registers or records of a corporation, that person may apply to a court for an order rectifying the registers or records
- Dissent and appraisal remedy for non-PBCs - in relation to fundamental changes
- Unlike CNCA, there is no “religious corporation” exemption to the compliance or restraining orders dissent and appraisal remedy
• Derivative action
  – Allows members to bring an action in the name of the corporation to enforce one of its rights
  – Exemption for "religious corporation" - e.g. Cannot bring derivative action to recover misappropriated church property
  – Lack of definition for "religious corporation" means that the courts will have to define that term

• Unlike the CNCA, there is no oppression remedy
• Investigation order
  – A member (or holder of debt) may apply to the court for an investigation of the corporation
  – One of the grounds listed for an investigation order tracks the language of the oppression remedy - "the activities or affairs of the corporation or of any of its affiliates are or have been carried on or conducted, or the powers of the directors are or have been exercised, in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of a member"

• Possible that non members may still qualify as "complainants" for the purpose of compliance or restraining order or derivative action (except a religious corporation) based on the broad scope of the definition of "complainant" in the ONCA
• However, lack of economic incentives to invoke these corporate law remedies may mean less member litigation than shareholder litigation in relation to OBCA and CBCA corporations
• But even a non-member could allege breach of trust under s.10 of the Charities Accounting Act in the case of charities
10. Conflict of Laws

- ONCA must be read in conjunction with applicable charity law
- If there is a conflict between the ONCA or its regulations and a provision made in any other legislation that applies to the following
  - A non-share capital corporation, then the provision in the other legislation prevails
  - A charitable corporation, then the legislation applicable to charitable corporations prevails
- Some provisions of the ONCA will not apply to charities

- ONCA permits directors to fix their remuneration and to receive reasonable remuneration and expenses for any services they provide to the corporation in any other capacity
  - Common law rule overrides the ONCA – prohibits directors a charity to receive direct and indirect remuneration from the charity
  - But directors may be reimbursed out-of-pocket expenses
  - Possible to seek PGT consent court order to permit directors be paid, but generally high threshold for such an order

- ONCA permits directors and officers to enter into contracts or transactions with the corporation as long as they disclose any conflict of interest that may exist
  - Common law rule overrides the ONCA - prohibits directors of charities to place their personal interests in conflict with their duty to the charity
  - Regardless of whether there is actual loss to the charity
  - Possible to seek PGT consent court order to permit directors be paid, but generally high threshold for such an order
ONCA permits corporation to invest its funds as its directors think fit, subject to its articles or by-laws or any limitations accompanying a gift

- Section 10.1 of the Charities Accounting Act overrides the ONCA - states that s.27 to s.31 of the Trustees Act applies
- Prudent investor rule applies to the directors of charities
- Directors must consider certain criteria to invest
- Authorizes delegation to an agent in certain circumstances

ONCA permits corporation to indemnify the directors and officers and to purchase insurance

- ONCA expressly requires that the purchase of insurance be in compliance with the Charities Accounting Act and its regulations
- Regulation 4/01 under the Charities Accounting Act requires directors to consider certain factors enumerated in the regulation before they consent to the indemnification of its directors or purchasing D&O insurance
- The indemnification or the purchase of insurance must not render the corporation insolvent

Part III of the OCA will be repealed upon proclamation of the ONCA and ONCA will immediately apply

- 3 year grace period for OCA corporations to comply
- Failure to continue within the 3 year grace period
  - Will not result in dissolution of the corporation by the government
  - Letters patent, supplementary letters patent and by-laws will be deemed to be amended to comply with the ONCA, non-compliant provisions deemed to become invalid
- Will result in uncertainty as to which provisions apply
- Prudent for existing OCA corporations to continue under the ONCA sooner as opposed to later within the three year grace period
• Steps for continuance
  – Review its letters patent and by-laws
  – Contact CRA (if a registered charity) where there are proposed changes to the purpose(s)
  – Prepare Articles of Continuance and other required documents
  – Create new by-laws
  – Get membership approval
  – File required documents
  – Certificate of Continuance will be issued
  – Charities – send Certificate of Continuance, Articles of Continuance and new by-law to CRA

• Unresolved issues regarding continuance process
  – It has not been determined if charities incorporated in Ontario will be required to have their articles approved by the PGT
  – Not known what will be the position of CRA on the process of continuance, i.e. will it be the same as CNCA?
  – Social clubs with share capital will have 5 years to continue – different rules

• Timing of Continuance
  – Some corporations may want to continue early on, others may want to wait
  – Revising governance structure to be reflected in new by-law may need some time for directors and members to consider
  – Some considerations
    ▪ Length of time and complexity of process to revise the by-laws
    ▪ Nature of changes in new by-laws – substantive vs administrative
    ▪ Size of membership
    ▪ Changes to membership structure
    ▪ Changes to corporate objects
As part of the continuance process, OCA corporations may, by articles of amendment, amend any provision in their letters patent, supplementary letters patent, by-laws or special resolution to bring the provision into conformity with the ONCA.

Timing to change membership class structure
- May put new structure in new ONCA by-law as part of the continuance process – but may allow members whose membership class was removed to possibly have the right to challenge the changes.
- Consider revising the by-law under the OCA first before continuance into ONCA.

PRACTICAL STEPS FOR CONTINUANCE

1. Collect governing documents
   - Letters patent, supplementary letters patent
   - All current by-laws, including amendments
     - Amending by-laws
     - Members’ resolutions?
     - Board resolutions?
     - Are by-laws valid? Were they properly adopted?
   - Can obtain microfiche copies from Ministry for LP and SLPs
   - CRA may have by-laws
   - Collect governance related documents – e.g., organizational charts, policies, manuals

2. Review governing documents and consider
   - Do they reflect current governance structure? If not, what is current governance structure?
   - Do they reflect current governance process? If not, what is current governance process?
   - Are changes desired? What are they?
   - Are there new provisions to be inserted?
   - Write them down
   - Come up with a wish list

3. Review the key features of the ONCA
   - This understanding will help the corporation determine how its governance structure and the content of the articles of continuance and by-laws will be impacted.
4. Compare ONCA rules with current governance structure and practice
   • Are the current by-laws or the desired governance structure and process inconsistent with ONCA requirements?
   • If inconsistent with a ONCA mandatory requirement, how will the corporation adjust its governance structure and process in order to ensure compliance?
   • If inconsistent with a ONCA default requirement, is the preferred alternative mechanism permitted under the ONCA? Should the overriding provision be set out in the articles or by-laws?
   • If different options are prescribed, which one should the corporation choose? Should the preferred option be set out in the articles or by-laws?

5. Determine whether changes should be made prior to continuance
   • Changes to membership rights
     – Under ONCA - separate vote by class or group of members will be required if to change the rights attached to a class or group of members or for certain fundamental changes
     – Regardless of whether the membership class is a voting class or non-voting class.
     – Each class of members (including non-voting members) will have a de facto veto right
   – Some corporations may want to collapse classes into 1 voting class
     – If change membership rights as part of the continuance, then articles of continuance and by-laws also require separate class vote
     – Consider changing membership classes and rights by amending the by-laws under the OCA first, prior to continuance under the ONCA
   • Changes to corporate objects
     – Purposes of the corporation will need to be stated in the articles of continuance
     – May want to update them to reflect and align with current or future activities
     – If registered charity, needs CRA approval
     – May want to apply for SLP under OCA on parallel basis
6. Timing of Continuance
• Some corporations will want to continue right away, others may want to wait
• Revising governance structure to be reflected in new by-law may need some time for directors and members to consider
• Considerations
  – Length of time and complexity of process to revise the by-laws
  – Nature of changes in new by-laws – substantive vs administrative
  – Size of membership
  – Changes to membership structure
  – Changes to corporate objects

7. Draft articles of continuance and new by-laws
• Information on articles of continuance not available yet
• By-law will need to be replaced or substantially revised because the ONCA differs from the OCA
• OCA contained very few rules, ONCA provides many detailed rules
• Some changes may only be administrative
• Some changes may require detailed considerations and consultation with members
• Understanding the ONCA framework
  – Rules in the Act
  – Some details in the Regulations
  – Need to refer back and forth between the Act and the Regulations

7a. By-law amendment mechanism
• ONCA provides two ways for corporations to amend their by-laws, depending on the subject matter of the changes
• Default mechanism
  – Board may adopt by-laws, effective upon passage by the board
  – Must be confirmed by members at next meeting to remain in force
• Special approval
  – For matters affecting members’ rights, e.g., notice of members’ meetings, membership transferability & conditions, absentee voting
  – Effective when confirmed by members by special resolution
By-laws drafted under the ONCA must be very clear about which amending formula applies to various provisions (or risk certain by-law provisions not being legally in force) – for example:
- Have 2 by-laws with all by-law provisions requiring special resolution in a separate by-law
- Have 1 by-law, and place all provisions requiring special resolution in one clearly marked section
- Have 1 by-law, and clearly mark throughout by-law which provisions require special resolution to amend
- Have 1 by-law, and provide in articles that all by-law amendments require a special resolution

7b. Approaches to by-law drafting

• Minimalist approach
  - ONCA contains detailed rules, so by-laws do not require the same level of details
  - By-laws not duplicate mandatory rules or default rules that are not to be overridden
  - By-laws to set out provisions:
    - Mandatory provisions
    - Override the default rules in the ONCA
    - Utilize optional rules in the regulations
    - Important governance procedures
  - Governance policy manual to address issues that do not need to be included in by-laws

• Advantages
  - Simple by-laws
  - No risk of amending by-laws to remove ONCA requirements or violate ONCA requirements

• Disadvantages
  - Have to work with 4 or 5 documents back and forth: ONCA, regulations, articles, by-laws, governance policy manual
  - Need to know where to look for what and which provisions take precedence if conflict
  - May still risk amending by-law provisions that cannot be amended
  - Policy manual does not simplify the process
• Comprehensive approach
  – The by-laws is the main document for all governance rules of the corporation where possible
  – Detailed by-laws will be a consolidation of mandatory rules, default rules that have not been overridden, overriding provisions, etc.
  – Will still need to work with articles, but limited provisions in the articles
  – Can have governance policy manuals to address other matters, e.g., committee structures (but not audit committee)
  – Helpful tool

– Advantages
  ▪ One go to place for essential governance procedures
  ▪ Less documents to work with - articles, by-laws and policy manual
– Disadvantages
  ▪ More upfront cost and time to prepare by-laws
  ▪ By-laws to clearly identify which provisions can be amended and which ones cannot and seek legal advice before amending by-laws

7c. Types of ONCA rules
• ONCA provides both a general framework and sets of rules for corporations to operate
• Three types of rules in ONCA
  – Mandatory Rules – Cannot be overridden by the articles or by-laws
  – Default Rules – By-laws or articles can override
  – Alternate Rules – Articles/ by-laws can include certain optional rules provided by ONCA
• Mandatory Rules
  – Rules that cannot be overridden by the articles or by-laws – examples
    ▪ Minimum 3 directors
    ▪ Directors can be removed by majority vote of members (or by class vote) (except ex officio directors)
    ▪ Notice of meetings of members given 10 to 50 days before the meeting
    ▪ Members’ right to submit and discuss proposals
    ▪ Members’ right to requisition meeting
    ▪ Members’ right to vote by proxy
    ▪ Board may appoint up to 1/3 directors elected at last AGM
  – Must ensure compliance of these rules

• Default Rules
  – Apply automatically where by-law/articles are silent - examples
    ▪ Directors can borrow and grant security without members’ authorization
    ▪ Membership can only be transferred back to corporation
    ▪ Participation in meetings by electronic means
    ▪ A majority of members constitutes a quorum
    ▪ Directors may meet anywhere
    ▪ Directors not required to be members
    ▪ A majority of the directors constitutes a quorum
    ▪ Directors can make, amend or repeal by-laws, except those requiring a special resolution of members

• May include provisions to override default rules, some of them
  ▪ Must be in the by-laws (may be included in articles)
  ▪ May be in the articles or the by-laws
  ▪ May be in the articles or by-laws
  – When drafting by-laws, must ensure the by-laws is the appropriate document to include the desired overriding provisions
  – When drafting overriding provisions, ensure these mechanisms are in compliance with the ONCA
Alternate Rules

- Optional rules that are provided by the ONCA - examples:
  - Requisition of meeting – default rule is 10% of members (ONCA permits by-laws to specify a lower but not higher requirement)
  - Holding members’ meeting entirely by electronic means
  - Members voting by mail or by telephonic or electronic means, in addition to or instead of voting by proxy
  - Discipline of members
  - Audit committee
- Articles or by-laws must provide for these rules
- Ensure compliance with ONCA

ONCA silent

- Can include provisions on issues that the ONCA is silent, provided that the provisions included do not contravene the ONCA and its regulations – examples:
  - Dispute resolution mechanisms to resolve disputes between members
  - Stewardship provisions dealing with charitable property of the corporation (where it is a registered charity)
  - Statement of faith subscribed to by a faith-based corporation
- These provisions may be set out in the policies or the by-laws

8. Obtain membership approval and filing

- Need special resolution to approve articles of continuance
- May require separate class vote of the articles and by-laws if certain membership rights are amended
- Once approved, file articles of continuance and other documents with Ministry
- Will be issued certificate of continuance
- No need to file approved by-laws with the Ministry
9. Other consequential filings and records updates
   A) Canada Revenue Agency
      • Registered charities have to file certificate of continuance, articles of continuance and new by-laws with CRA
      • If purposes have been changed as part of the continuance process, the corporation may obtain pre-approval from CRA for new purposes before filing articles of continuance
      • If no pre-approval is obtained, then CRA may require that the governing documents be revised if they do not meet CRA’s requirements – need to apply for articles of amendment

   B) Provincial and territorial filings
      • May need to update provincial or territorial registrations
      • e.g., corporate registrations, business name registrations, fund-raising registrations, etc.
      • Ontario charities – not sure what is required by Public Guardian and Trustee

   C) Other filings
      • May be required to provide continuance documents with third parties, e.g.,
        – Funding organization
        – umbrella organization
   D) Updating corporate records and procedures
      • Corporate minute book
      • Other documents, e.g., corporate governance policies, manuals, etc.
      • Staff and volunteers will need to be trained and become familiar with the new governance documents
E. CONCLUSION

- Monitor Ministry and CRA updates
- Be familiar with the ONCA rules
- Prepare early
- Have someone or a committee be responsible for the process
- Have the board engaged early on
- Seek legal help, conduct legal review, prepare draft by-laws
- Do not miss the 3 year time frame for continuance