

APPENDIX A

**CANADIAN PUBLIC ACCOUNTABILITY BOARD/
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES**

BY-LAW NO. 1

ARTICLE 1	INTERPRETATION	1
1.1	Definitions	1
1.2	Interpretation.....	3
ARTICLE 2	GENERAL.....	3
2.1	Head Office	3
2.2	Seal.....	3
2.3	Financial Year.....	3
2.4	Books and Records.....	3
2.5	Passage of By-laws.....	3
2.6	Amendment to Letters Patent.....	3
ARTICLE 3	THE BOARD.....	4
3.1	Duties	4
3.2	Number and Term.....	5
3.3	Independent Directors.....	5
3.4	Qualification.....	6
3.5	Election and Term.....	6
3.6	Removal of Directors.....	6
3.7	Vacation of Office.....	6
3.8	Vacancies	7
3.9	Meetings and Quorum.....	7
3.10	Notice of Board Meetings.....	7
3.11	Meetings Without Notice	7
3.12	Adjourned Meetings.....	8
3.13	Meetings by Telephone	8
3.14	Error or Omission in Notice, Board.....	8
3.15	Chair.....	8
3.16	Voting.....	8
3.17	Powers	8
3.18	Committees	8
3.19	Declaration of Interest.....	9
3.20	Remuneration of Independent Directors.....	9
3.21	Expenses.....	9
3.22	Confidentiality	9
ARTICLE 4	OFFICERS	9
4.1	Officers.....	9
4.2	Chair.....	9
4.3	Vice-Chair	9
4.4	Chief Executive Officer	9
4.5	Powers and Duties of Other Officers	10
4.6	Variations of Powers and Duties.....	10
4.7	Term of Office	10
4.8	Remuneration of Officers.....	10
4.9	Agents and Attorneys.....	10

ARTICLE 5	PROTECTION OF DIRECTORS AND OFFICERS	10
5.1	Limitation of Liability.....	10
5.2	Indemnity	10
5.3	Expenses Paid in Advance	11
5.4	Other Remedies Available	11
5.5	Insurance	11
ARTICLE 6	EXECUTION OF DEEDS AND BANKING.....	11
6.1	Signatories.....	11
6.2	Facsimile Signatures	11
6.3	Banking.....	12
ARTICLE 7	MEMBERS.....	12
7.1	Membership Classes	12
7.2	Withdrawal.....	12
ARTICLE 8	COUNCIL OF GOVERNORS	12
8.1	Council of Governors.....	12
8.2	Voting.....	12
8.3	Annual and Special General Meetings.....	12
8.4	Notice of Council of Governors' Meetings	13
8.5	Meetings Without Notice	13
8.6	Meetings by Telephone	13
8.7	Chair of COG.....	13
8.8	Persons Entitled to be Present	13
8.9	Error or Omission in Notice.....	14
8.10	Adjournments.....	14
8.11	Quorum	14
8.12	Show of Hands.....	14
8.13	Casting Vote.....	14
8.14	Location of Meetings	14
ARTICLE 9	INDUSTRY MEMBERS.....	14
9.1	Industry Members	14
9.2	Voting.....	15
9.3	Voting by Proxy.....	15
9.4	Annual and Special General Meetings.....	15
9.5	Notice of Industry Members' Meetings	15
9.6	Meetings by Telephone	16
9.7	Meetings Without Notice	16
9.8	Chair.....	16
9.9	Persons Entitled to be Present	16
9.10	Error or Omission in Notice.....	16
9.11	Adjournments.....	16
9.12	Quorum	17
9.13	Show of Hands.....	17
9.14	Casting Vote.....	17

9.15	Location of Meetings	17
ARTICLE 10	AUDITOR.....	17
10.1	Auditor	17
10.2	Remuneration.....	17
ARTICLE 11	PARTICIPATING AUDIT FIRMS.....	18
11.1	Eligibility	18
11.2	Transitional Eligibility.....	18
11.3	Rules and Regulations	18
11.4	Application Process.....	18
11.5	Participation Agreement	18
11.6	Register of Firms.....	18
11.7	Continuing Qualifications	19
11.8	Termination of Participant Status	19
11.9	Reinstatement of Participant Status	19
ARTICLE 12	BORROWING	19
12.1	Borrowing	19
12.2	Arrangements for Borrowing.....	20
ARTICLE 13	NOTICE.....	20
13.1	Procedure for Sending Notices	20
13.2	Undelivered Notices.....	20
13.3	Computation of Time	20
13.4	Waiver of Notice	20

BY-LAW NO. 1

A By-law relating to the affairs of

Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes

BE IT ENACTED as a By-law of Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes as follows:

Article 1 INTERPRETATION

1.1 Definitions. In this By-law and in all other By-laws and special resolutions of the Corporation, unless the context otherwise requires:

- (a) “Act” means the Canada Corporations Act, and any act that may be substituted therefor, as from time to time amended;
- (b) “Board” means the board of directors of the Corporation;
- (c) “By-laws” means this By-law No. 1 and all other By-laws of the Corporation from time to time in force and effect;
- (d) “Chair” means the officer designated as the “Chair” of the Corporation as specified in Section 4.2;
- (e) “CICA” means the Canadian Institute of Chartered Accountants, or any successor to such entity;
- (f) “Corporation” means Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, incorporated as a corporation without share capital under the Act by Letters Patent;
- (g) “Council of Governors” means the Members of the corporation described in Section 8.1 hereof and “Governor” means any one of such Members;
- (h) “CVMQ” means the Commission des valeurs mobilières du Québec, or any successor body to such entity;

- (i) “Directors” means the Independent Directors and the Ex-Officio Directors;
- (j) “Ex-Officio Directors” means the directors of the Corporation referred to in paragraph 3.2(a) and paragraph 3.2(b) hereof;
- (k) “Firm” or “firm” means a partnership of individuals practicing as such and includes, where the context permits, an individual carrying on business as a sole proprietor, and any professional corporation through which either a partner or a sole proprietor carries on its business;
- (l) “Independent Directors” means the directors of the Corporation appointed pursuant to paragraph 3.2(c) hereof;
- (m) “Industry Members” has the meaning ascribed thereto in Section 9.1 hereof;
- (n) “Letters Patent” means the Letters Patent incorporating the Corporation, as from time to time amended and supplemented by supplementary letters patent;
- (o) “Members” shall mean the Council of Governors and/or the Industry Members, as the context may require;
- (p) “OSC” means the Ontario Securities Commission, or any successor body to such entity;
- (q) “OSFI” means the Office of the Superintendent of Financial Institutions of Canada, or any successor body to such entity;
- (r) “Participating Audit Firm” or “PAF” means an accounting firm that has entered into a Participation Agreement and has not had its participant status terminated;
- (s) “Participation Agreement” means a participation agreement between the Corporation and a PAF contemplated by Article 11 of this By-law No. 1;
- (t) “Program” means the Corporation’s program applicable to PAFs;
- (u) “Relevant Provincial Regulatory Authority” means those accounting oversight bodies which are admitted as Industry Members by the Board;
- (v) “Relevant Regulatory Authorities” means the Relevant Provincial Regulatory Authorities together with the CICA; and
- (w) “Rules and Regulations” means the rules and regulations contemplated by Section 11.3 hereof.

1.2 Interpretation. In this By-law No. 1 and in all other By-laws hereafter passed, unless the context otherwise requires, words importing the singular number or the masculine gender shall include the plural number or the feminine gender, as the case may be, and vice versa, and references to persons shall include individuals, firms and corporations. The division of this By-law No. 1 into articles, sections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

Article 2 GENERAL

2.1 Head Office. Until changed in accordance with the Act, the head office of the Corporation shall be in the City of Toronto, in the Province of Ontario.

2.2 Seal. Until changed by resolution of the Board, the seal, an impression whereof is stamped in the margin hereof, shall be the corporate seal of the Corporation.

2.3 Financial Year. The financial year-end of the Corporation shall be as determined by the Board.

2.4 Books and Records. The Board shall ensure that all necessary books and records of the Corporation required by the By-laws or by any applicable statute or law are regularly and properly kept.

2.5 Passage of By-laws. By-laws of the Corporation may be made, repealed or amended by a By-law passed by a majority of the Directors present at a meeting of the Board and sanctioned by at least:

- (a) 4 of the votes cast by Governors at a special general meeting of the Council of Governors duly called for the purpose of considering the said By-law, and
- (b) a majority of the votes cast by the Industry Members at a special general meeting of the Industry Members duly called for the purpose of considering the said By-law,

provided that any repeal, amendment or substitution of any such By-law relating to the matters referred to in subsection 155(2) of the Act shall not be enforced or acted upon until the approval of the Minister of Industry Canada has been obtained.

2.6 Amendment to Letters Patent. The Letters Patent may be amended by a By-law passed by a majority of the Directors present at a meeting of the Board and sanctioned by at least:

- (a) 4 of the votes cast by Governors at a special general meeting of the Council of Governors duly called for the purpose of considering the said By-law, and
- (b) a majority of the votes cast by the Industry Members at a special meeting of the Industry Members duly called for the purpose of considering the said By-law.

Article 3 THE BOARD

3.1 Duties. The Board shall manage or supervise the management of the property, activities and affairs of the Corporation in all things and in particular, shall manage or supervise the management to:

- (a) promote, publicly and proactively, the importance of high quality external audits of public companies;
- (b) oversee the design and implementation of a rigorous program of inspection of PAFs;
- (c) establish the terms of reference of the Board;
- (d) approve the business plan and budget for the activities of the Corporation, supervise the activities of the Corporation and evaluate the effectiveness of the Corporation in carrying out this mandate;
- (e) hire the Chief Executive Officer;
- (f) obtain independent technical advice when needed and appropriate;
- (g) establish and maintain the membership requirements for PAFs;
- (h) establish and maintain a register of firms that have been accepted as PAFs;
- (i) receive and evaluate the reports and recommendations of the results of the inspection of PAFs;
- (j) when appropriate, refer matters relating to PAFs to the Relevant Provincial Regulatory Authorities for discipline purposes;
- (k) impose sanctions directly on PAFs, including conditions and restrictions;
- (l) report publicly on the means taken to oversee the audit of public companies and the results achieved;
- (m) manage or supervise all other matters which are the proper subject matter of the management of the business and affairs of the Corporation;
- (n) ensure appropriate transparency in the conduct of the Corporation's activities;
- (o) carry out or cause to be carried out inspections of the audit practices of PAFs, as they relate to public companies;
- (p) when appropriate, provide comments and recommendations on accounting standards, assurance standards, rules of professional conduct, and governance practices to Relevant Regulatory Authorities and any other relevant bodies;

- (q) make recommendations to the Relevant Regulatory Authorities, other applicable regulatory authorities and other supervisory bodies (including, without limitation, securities regulatory authorities and OSFI) with a view to harmonizing and strengthening the inspection and discipline processes applicable to PAFs; and
- (r) when appropriate, notify the Relevant Regulatory Authorities, other applicable regulatory authorities and other supervisory bodies (including, without limitation, securities regulatory authorities and OSFI) whenever the Board has imposed sanctions on or conditions or restrictions pertaining to the participation status of any PAF or any individual working at a PAF.

3.2 Number and Term. The Board shall consist of 11 directors of whom:

- (a) two shall be the chief executive officer (or the equivalent) of the Relevant Provincial Regulatory Authority in each of the Provinces of Ontario and Quebec with oversight responsibility for Participating Audit Firms which audit public companies with the highest total market capitalization as at the end of the last completed calendar year and have their principal place of business in such provinces;
- (b) one shall be appointed by the Industry Members from among the chief executive officers (or the equivalent) of the two Relevant Provincial Regulatory Authorities in provinces other than Ontario and Quebec with oversight responsibility for Participating Audit Firms which audit public companies with the highest total market capitalization as at the end of the last completed calendar year and have their principal place of business in such provinces; and
- (c) eight shall be appointed by the Council of Governors from among individuals who satisfy the criteria specified in Section 3.3 below (such eight directors herein collectively referred to as the “Independent Directors”), provided however that, notwithstanding Subsection 3.3(a) hereof, one of such individuals may (but need not) hold a professional accounting designation (such person holding such designation, a “Professional Director”).

3.3 Independent Directors. An Independent Director shall be an individual who is otherwise qualified to be a Director and who, unless otherwise agreed by unanimous resolution of the Council of Governors,

- (a) does not hold any professional accounting designation;
- (b) is not a sole proprietor carrying on the business of accounting, nor a partner, member, director, officer or employee of any firm of accountants; and
- (c) in the three years prior to appointment as an Independent Director, was not a sole proprietor carrying on the business of accounting, nor a partner, member, director, officer or employee of any firm of accountants.

3.4 Qualification. The following individuals are not qualified to stand for election as Directors:

- (a) individuals who are less than 18 years of age;
- (b) individuals who, pursuant to an order of a court of competent jurisdiction under applicable provincial legislation, are declared to be mentally incompetent persons or incapable of managing their affairs made;
- (c) individuals who have the status of bankrupt under the *Bankruptcy and Insolvency Act* (Canada);
- (d) individuals who have been convicted of a violation of securities legislation; and
- (e) individuals who have been found guilty of violating the rules of professional conduct of the profession (if any) of which such individual was or is a member.

3.5 Election and Term. The first Directors of the Corporation shall be the individuals specified as such in the Application for Letters Patent, such individuals to hold office for a term expiring at the close of the first annual meeting of the Council of Governors, or until their successors are elected or appointed. Thereafter, the Independent Directors shall be appointed by the Council of Governors at each annual meeting of the Council of Governors and the Ex-Officio Director appointed pursuant to Subsection 3.2(b) shall be appointed by the Industry Members at each annual meeting of the Industry Members. Subject to Sections 3.6 and 3.7 below, the Directors so appointed shall hold office until the first annual meeting after such Directors are so appointed, at which time, each such Director shall retire as a Director, but, if qualified, shall be eligible for re-election.

3.6 Removal of Directors. The Council of Governors may, by a resolution approved by at least four of the Governors, remove any Independent Director (but not an Ex-Officio Director) before the expiration of his term of office and may by a resolution approved by at least three Governors, elect any person in his stead for the remainder of the term of the Independent Director so removed. The Directors shall, on the requisition of the Chair of the Corporation or by any two Governors, call a special general meeting of the Council of Governors for the purpose of considering a resolution to remove any Independent Director before the expiration of his term of office. Such requisition shall state its purpose, be signed by the requisitionists and be deposited at the head office of the Corporation. Such requisition may consist of several documents in like form, each signed by one or more requisitionists.

3.7 Vacation of Office. The office of a Director shall be automatically vacated upon the occurrence of any of the following events:

- (a) if the Director is adjudged a bankrupt under the *Bankruptcy and Insolvency Act* (Canada);
- (b) if an order of a court of competent jurisdiction is made under applicable provincial legislation declaring the Director to be a mentally incompetent person or incapable of managing his affairs;

- (c) if the Director is removed from office by resolution of the Council of Governors as provided in Section 3.6 hereof;
- (d) if, by notice in writing to the Corporation, the Director resigns his office and if such resignation is not effective immediately, upon such resignation becoming effective in accordance with its terms;
- (e) on the death of the Director;
- (f) with respect to a Director who is an Independent Director, if such director ceases to satisfy the criteria specified in Section 3.3 (subject to the proviso contained in Subsection 3.2(c)); or
- (g) if such Director shall cease to hold the office by virtue of which such Director became a Director.

3.8 Vacancies. Vacancies on the Board, howsoever caused, shall be filled by the Council of Governors.

3.9 Meetings and Quorum.

- (a) The powers of the Directors may be exercised by resolution passed at a meeting of the Board at which a quorum is present.
- (b) The presence of seven of the Directors shall be necessary to constitute a quorum for the transaction of business at any meeting of the Board. Where there is a vacancy on the Board, the remaining Directors may exercise all the powers of the Board so long as a quorum remains in office.
- (c) The Board may hold its meetings either at the head office of the Corporation or at any place within or outside Canada as it may from time to time determine.
- (d) Board meetings may be formally called by the Chair, any three Directors, or by resolution of the Council of Governors.

3.10 Notice of Board Meetings. Notice of the time and place of any meeting of the Board shall be telephoned or sent by electronic means (including facsimile and e-mail) to each Director not less than 2 days before the meeting is to take place or shall be mailed to each Director not less than 14 days before the meeting is to take place. The statutory declaration of the Chief Executive Officer or of any other person authorized to give notice of a meeting that notice has been given pursuant to this By-law No. 1 shall be sufficient and conclusive evidence of the giving of such notice. The Board may appoint a day or days in any month or months for regular meetings at an hour to be named and no notice need be sent of such regular meeting. A meeting of the Board may also be held, without notice, immediately following the first general meeting of the Members and any subsequent annual meeting of the Members in each year.

3.11 Meetings Without Notice. A meeting of the Board may be held at any time and place without notice if all Directors are present, or if those who are not present, either before or

after the meeting, waive notice or otherwise consent to such meeting being held, and at such meeting any business may be transacted which the Corporation, at a meeting of Directors, may transact, provided that a quorum of the Board is present.

3.12 Adjourned Meetings. Notice of an adjourned meeting of the Board is not required if the time and place of the adjourned meeting is announced at the original meeting.

3.13 Meetings by Telephone. If all the Directors of the Corporation consent thereto generally or in respect of a particular meeting, a Director may participate in a meeting of the Board or of a committee of the Board by means of such conference telephone facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a Director participating in such a meeting by such means is deemed to be present at the meeting. Quorum shall be established and votes shall be recorded by voice or televisual identification of each Director by a roll-call of Directors participating in the meeting.

The Board may also meet by any other electronic means that permits each Director to communicate adequately with each other, provided that the Board has passed a resolution addressing the mechanics of holding such a meeting, including how security issues should be handled, the procedure for establishing quorum and recording votes. Each Director must have equal access to the specific means of communication to be used and each Director must consent in advance to meeting by electronic means using the specific means of communication proposed for the meeting.

3.14 Error or Omission in Notice, Board. No error or omission in giving notice of a meeting of the Board or any adjourned meeting of the Board shall invalidate such meeting or invalidate or make void any proceedings taken or had thereat and any Director may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

3.15 Chair. The Chair or, in his absence, the Vice-Chair, shall act as chair of all meetings of the Board. If no such person is present, the Directors present shall choose one of their number to be chair of the meeting.

3.16 Voting. Subject to the Letters Patent and the By-laws, any question arising at any meeting of the Board shall be decided by a majority of votes. Each Director is entitled to exercise one vote. In the case of an equality of votes, the chair of the meeting shall not have a second or casting vote. All votes at any such meeting shall be taken by a show of hands in the usual manner of assent or dissent. A declaration by the chair of the meeting that a resolution has been carried and an entry to that effect in the minutes shall be admissible in evidence as *prima facie* proof of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

3.17 Powers. The Board shall administer the affairs of the Corporation in all things and may make or cause to be made for the Corporation, in its name, any kind of contract which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such powers and do all such other acts and things as the Corporation, by its Letters Patent or otherwise, is authorized to exercise and do. The Board may appoint such agents and

engage such employees as it may deem necessary from time to time and such persons shall have such authority and shall perform such duties as shall be prescribed by the Board at the time of such appointment.

3.18 Committees. The Board may from time to time constitute such committee or committees as it deems necessary, and for such purposes and with such powers as may be prescribed by the Board. Any member of any such committee shall be removable from such committee at any time at the discretion of the Board. The members of any such committee or committees shall serve at the pleasure of the Board. Any such committee may formulate its own rules of procedure subject to such regulations and/or directions as the Board may from time to time make in respect thereof.

3.19 Declaration of Interest. It shall be the duty of every Director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Corporation to declare such interest and to refrain from voting thereon in accordance with the Act.

3.20 Remuneration of Independent Directors. Independent Directors shall be entitled to receive such remuneration, if any, for acting as Directors as the Board may from time to time determine.

3.21 Expenses. Directors shall be entitled to be paid their reasonable expenses properly incurred in the performance of their duties, including their travel and other expenses properly incurred by them in attending meetings of the Board, of any committee thereof, or of the Members, or otherwise properly incurred by them in connection with carrying out the activities of the Corporation.

3.22 Confidentiality. Each Director shall treat and keep as confidential all information which he becomes possessed of in the course of the execution of the duties of his office as a Director of the Corporation.

Article 4 OFFICERS

4.1 Officers. The Council of Governors shall appoint a Chair and a Vice-Chair of the Corporation and the Board shall appoint a Chief Executive Officer. The Board may also from time to time create such other offices of the Corporation and appoint such other individuals from time to time to fill such offices, including one or more assistants to any of the officers so appointed. The Board may specify the duties of all officers and, in accordance with this By-law and subject to the Act, may delegate to such officers powers to manage the business and affairs of the Corporation. Subject to Section 4.4 hereof, an officer may, but need not, be a Director and one person may hold more than one office.

4.2 Chair. The Chair shall be chosen by the Council of Governors from among the Independent Directors (but not, if any, a Professional Director) and shall be the Chair of the Corporation. Subject to Section 3.15, the Chair shall act as the chair of all meetings of the Board and shall have such other powers and duties as the Board may determine. The Chair shall receive such remuneration as the Board may from time to time determine. The Chair shall be the

custodian of the seal of the Corporation, which the Chair shall deliver only when authorized by a resolution of the Board to do so and to such person or persons as may be named in the resolution.

4.3 Vice-Chair. The Vice-Chair shall be chosen by the Council of Governors from among the Independent Directors and shall have such powers and duties as the Council of Governors may determine.

4.4 Chief Executive Officer. The Chief Executive Officer shall be appointed by the Board and shall be the chief executive officer of the Corporation. Subject to the authority of the Board, the Chief Executive Officer shall have general supervision of the activities and affairs of the Corporation and such other powers and duties as the Board may specify. The Chief Executive Officer shall not be a member of the Board.

4.5 Powers and Duties of Other Officers. The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board may specify.

4.6 Variations of Powers and Duties. The Board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer, other than the Chair and the Vice-Chair.

4.7 Term of Office. The Board, in its discretion, may remove any officer of the Corporation (other than the Chair and the Vice-Chair who shall be removable by the Council of Governors), without prejudice to such officer's rights under any employment contract or in law. Otherwise, each officer appointed by the Board shall hold office until his successor is appointed, or until his earlier resignation.

4.8 Remuneration of Officers. The officers shall be paid such remuneration for their services as the Board may from time to time determine. They shall also be entitled to be reimbursed for their travel and other expenses properly incurred by them in the exercise of the duties of their respective offices. The remuneration of any employees or agents shall be such as the terms of their engagement call for or as the Board may specify.

4.9 Agents and Attorneys. The Corporation, by or under the authority of the Board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to sub-delegate) of management, administration or otherwise as may be thought fit by the Board.

Article 5 PROTECTION OF DIRECTORS AND OFFICERS

5.1 Limitation of Liability. No Director or officer of the Corporation shall be liable for the acts, neglects or defaults of any other Director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by order of the Board for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation with whom or which any of the monies, securities or effects of the Corporation shall

be lodged or deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his office or in relation thereto unless the same are occasioned by his own willful neglect or default.

5.2 Indemnity. Every Director and officer of the Corporation and his heirs, executors, administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Corporation, from and against:

- (a) all costs, charges and expenses whatsoever that such Director or officer sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against him or her, for or in respect of any act, deed, matter or thing whatever, made, done or permitted by him or her, in or about the execution of the duties of his office; and
- (b) all other costs, charges and expenses that he sustains or incurs, in or about or in relation to the affairs of the Corporation;

except such costs, charges or expenses as are occasioned by his own willful neglect or default.

5.3 Expenses Paid in Advance. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of the action, suit or proceeding as authorized by the Board in the specific case upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation.

5.4 Other Remedies Available. The indemnification provided by this Article 5 shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under the Letters Patent or By-laws or any agreement, vote of the Members or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding any office with the Corporation, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

5.5 Insurance. The Board may purchase such directors' and officers' insurance or any other insurance as it deems necessary or advisable to be paid for out of the funds of the Corporation.

Article 6

EXECUTION OF DEEDS AND BANKING

6.1 Signatories. The following are the only persons authorized to sign any document on behalf of the Corporation, other than in the usual and ordinary course of the Corporation's business:

- (a) any person or persons appointed by resolution of the Board to sign a specific document, that type of document, or generally on behalf of the Corporation; or

- (b) the Chair together with any other Director.

Any document so signed may, but need not, have the corporate seal applied.

6.2 Facsimile Signatures. The signature of any person authorized to sign on behalf of the Corporation, may, if specifically authorized by resolution of the Board, be written, printed, stamped, engraved, lithographed or otherwise mechanically reproduced. Anything so signed shall be as valid as if it had been signed manually, even if that person has ceased to hold office when anything so signed is issued or delivered, until revoked by resolution of the Board.

6.3 Banking. The banking business of the Corporation shall be transacted with such banks, trust companies or other financial institutions as may from time to time be designated by or under the authority of the Board. Such banking business or any part of it shall be transacted under such agreements, instructions and delegations of powers as the Board may, from time to time, prescribe or authorize.

Article 7 MEMBERS

7.1 Membership Classes. There shall be two classes of Members in the Corporation, namely, the Council of Governors and the Industry Members.

7.2 Withdrawal. Members may withdraw from the Corporation by delivering to the Corporation a resignation in writing, which shall be effective upon acceptance thereof by the Board.

Article 8 COUNCIL OF GOVERNORS

8.1 Council of Governors. The Council of Governors shall consist of 5 Governors in number and shall be comprised of the individuals who hold the following offices and/or appointments:

- (a) the President of CICA;
- (b) the Superintendent of Financial Institutions of Canada;
- (c) the Chair of the OSC;
- (d) the Chair of the CVMQ; and
- (e) the Chair of the Canadian Securities Administrators, except where such individual is also the Chair of the OSC or Chair of the CVMQ, in which case, the Canadian Securities Administrators shall select the fifth Governor.

8.2 Voting. Each Governor shall have the right to notice of, and attendance at, all meetings of the Members. Subject to the provisions, if any, contained in the Letters Patent, each Governor shall, at all meetings of the Council of Governors, be entitled to one vote in respect of

any matter on which such Governor is entitled to vote in accordance with the provisions of the Letters Patent and this By-law No. 1 including, without limitation, the right to vote on proposed amendments to the By-laws, the sole right to vote for the appointment of the Independent Directors and the sole right to appoint the Chair and the Vice-Chair of the Corporation. Except as aforesaid, the Governors shall have no other voting rights as Members of the Corporation.

8.3 Annual and Special General Meetings.

- (a) An annual meeting of the Council of Governors shall be held not later than 18 months after the incorporation of the Corporation and thereafter, at least once in every calendar year and not more than 15 months after the holding of the last preceding annual meeting. At every annual meeting, in addition to any other business that may be transacted:
 - (i) the financial statements and the report of the auditors shall be presented to the Council of Governors; and
 - (ii) Directors shall be elected by the Council of Governors in accordance with the provisions set out in this By-law No. 1.
- (b) The Chair of the Council of Governors, or any 2 Governors, shall have the power to call, at any time, any meeting of the Council of Governors.

8.4 Notice of Council of Governors' Meetings. Notice of the time and place of any meeting of the Council of Governors shall be telephoned or sent by electronic means (including facsimile and e-mail) to each Governor not less than 2 days before the meeting is to take place or shall be mailed to each Governor not less than 14 days before the meeting is to take place. Notice of a special general meeting of the Council of Governors shall state the nature of the business to be transacted thereat in sufficient detail to permit the Council of Governors to form a reasoned judgment thereon. The statutory declaration of the Chief Executive Officer or of any other person authorized to give notice of a meeting that notice has been given pursuant to this By-law No. 1 shall be sufficient and conclusive evidence of the giving of such notice. The auditor of the Corporation is entitled to receive all notices and other communications relating to any meetings of the Members.

8.5 Meetings Without Notice. A meeting of the Council of Governors may be held at any time and place without notice if all Governors are present and waive notice or otherwise consent to such meeting being held, and at such meeting any business may be transacted which the Governors may transact.

8.6 Meetings by Telephone. If all the Governors of the Corporation consent thereto generally or in respect of a particular meeting, a Governor may participate in any annual or special general meeting or any adjourned meeting of the members of the Corporation by such conference telephone facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a Governor participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of

the Members. Quorum shall be established and votes shall be recorded by voice or televisual identification of each Governor by a roll-call of Governors participating in the meeting.

The Governors may also meet by any other electronic means that permits each Governor to communicate adequately with each other, provided that the Board has passed a resolution addressing the mechanics of holding such a meeting, including how security issues should be handled, the procedure for establishing quorum and recording votes. Each Governor must have equal access to the specific means of communication to be used and each Governor must consent in advance to meeting by electronic means using the specific means of communication proposed for the meeting.

8.7 Chair of COG. The Council of Governors shall select from among themselves a Governor to act as the chair of all meetings of the Council of Governors (the “COG Chair”). If the COG Chair is not present within fifteen minutes from the time fixed for holding the meeting, the Governors shall choose some person, who need not be a Governor, to be the chair of the meeting. The Governors shall also appoint some person, who need not be a Governor, to act as secretary of the meeting.

8.8 Persons Entitled to be Present. The only persons entitled to attend at meetings of the Council of Governors shall be the Governors, a secretary for the meeting and the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act, the Letters Patent or the By-laws to be present at the meeting. Any other persons may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

8.9 Error or Omission in Notice. No error or omission in giving notice of any meeting or any adjourned meeting of the Council of Governors shall invalidate such meeting or make void any resolutions passed or proceedings taken thereat and the Governors may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

8.10 Adjournments. Any meeting of the Council of Governors may be adjourned to any time and from time to time and such business may be transacted at such adjourned meeting as might have been transacted at the original meeting from which such adjournment took place. No notice shall be required of any such adjournment. Such adjournment may be made notwithstanding that no quorum is present.

8.11 Quorum. The presence of not fewer than 3 Governors shall be necessary for the transaction of business at any meeting of the Council of Governors.

8.12 Show of Hands. Any question at a Council of Governor’s meeting may be decided by a show of hands. Whenever a vote by show of hands shall have been taken upon a question, a declaration by the chair of the meeting that the vote upon a question has been carried or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact.

8.13 Casting Vote. In the event of an equality of votes on any question before a meeting of the Council of Governors, the chair of the meeting shall not have a second or casting vote.

8.14 Location of Meetings. The Council of Governors may hold its meetings either at the head office of the Corporation or at any place within or outside Canada as they may from time to time determine.

Article 9 INDUSTRY MEMBERS

9.1 Industry Members. Industry Members shall be comprised of a representative of each of the 10 provincial Institutes/Ordre of Chartered Accountants which are, hereby, admitted as Industry Members of the Corporation. Subject to a future by-law amendment, the Board will evaluate how and when to extend eligibility for membership as an Industry Member to a wider group. In so doing, the Board may establish criteria for such admission including, without limitation:

- (a) the number or market capitalization of public companies audited by the firms for which the prospective Industry Member has jurisdiction;
- (b) the disciplinary process of such prospective Industry Member, if any;
- (c) the code of ethics (including auditor independence requirements) implemented by such prospective Industry Member, if any; and
- (d) such other criteria as the Board sees fit.

9.2 Voting. Industry Members shall have the right to notice of, and attendance at, all meetings of the Industry Members and shall at all meetings of the Industry Members, be entitled to one vote in respect of any matter on which an Industry Member is entitled to vote in accordance with the provisions of this By-law No. 1. Without limiting the generality of the foregoing, the Industry Members shall have the sole right to vote for the appointment of the auditors of the Corporation and for the appointment of the Ex-Officio Director referred to in Subsection 3.2(b) of this By-law No. 1, and shall also have the right to vote on amendments to the Letters Patent or the By-laws of the Corporation, and in respect of any matter which, at law, under the Act, the Letters Patent or the By-laws require or contemplate an approval or authorization of the members of the Corporation.

9.3 Voting by Proxy. Every Industry Member entitled to vote at a meeting of the Industry Members may appoint a proxyholder, or one or more alternate proxyholders, to attend and act as its representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing and executed by the Industry Member or its attorney. Any such proxyholder or representative need not be an Industry Member.

9.4 Annual and Special General Meetings.

- (a) An annual meeting of the Industry Members shall be held not later than 18 months after the incorporation of the Corporation and thereafter, at least once in every calendar year and not more than 15 months after the holding of the last preceding annual meeting. At every annual meeting, in addition to any other business that may be transacted:
 - (i) the financial statements and the report of the auditors shall be presented to the Industry Members; and
 - (ii) auditors shall be appointed by the Industry Members for the ensuing year and the remuneration of the auditors shall be fixed or the Board shall be authorized to fix such remuneration.
- (c)
 - (i) The Board; or
 - (ii) the greater of (A) two Industry Members and (B) 10% of the Industry Members,

shall have the power to call, at any time, any meeting of the Industry Members.

9.5 Notice of Industry Members' Meetings. Notice of the time and place of any meeting of the Industry Members shall be telephoned or sent by electronic means (including facsimile and e-mail) to each Industry Member not less than 20 days before the meeting is to take place or shall be mailed to each Industry Member not less than 20 days before the meeting is to take place. Notice of a special general meeting of the Industry Members shall state the nature of the business to be transacted thereat in sufficient detail to permit the Industry Members to form a reasoned judgment thereon and shall have attached thereto a form of proxy. The statutory declaration of the Chief Executive Officer or of any person authorized to give notice of a meeting that notice has been given pursuant to this By-law No. 1 shall be sufficient and conclusive evidence of the giving of such notice.

9.6 Meetings by Telephone. If all the Industry Members of the Corporation consent thereto generally or in respect of a particular meeting, an Industry Member may participate in any annual or special general meeting or any adjourned meeting of the members of the Corporation by such conference telephone facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and an Industry Member participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the Members. Quorum shall be established and votes shall be recorded by voice or televisual identification of each Industry Member by a roll-call of Industry Members participating in the meeting.

The Industry Members may also meet by any other electronic means that permits each Industry Member to communicate adequately with each other, provided that the Board has passed a resolution addressing the mechanics of holding such a meeting, including how security issues should be handled, the procedure for establishing quorum and recording votes. Each

Industry Member must have equal access to the specific means of communication to be used and each Industry Member must consent in advance to meeting by electronic means using the specific means of communication proposed for the meeting.

9.7 Meetings Without Notice. A meeting of the Industry Members may be held at any time and place without notice if all Industry Members are present and waive notice or otherwise consent to such meeting being held, and at such meeting any business may be transacted which the Industry Members may transact.

9.8 Chair. The Chair or, in his absence, the Vice-Chair, shall be the chair of all meetings of the Industry Members. If no such officer be present within fifteen minutes from the time fixed for holding the meeting, the Industry Members shall choose some person, who need not be an Industry Member, to be the chair of the meeting. If the Secretary of the Corporation is absent or if he shall be presiding as the chair of the meeting in the absence of the Chair, the Industry Members shall also appoint some person, who need not be an Industry Member, to act as secretary of the meeting.

9.9 Persons Entitled to be Present. The only persons entitled to attend Industry Members' meetings shall be the Industry Members, any person holding a proxy duly executed in accordance with Section 9.3, the Chair, a secretary for the meeting and the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the Letters Patent or By-laws to be present at the meeting. Any other persons may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

9.10 Error or Omission in Notice. No error or omission in giving notice of any meeting or any adjourned meeting of the Industry Members shall invalidate such meeting or make void any resolutions passed or proceedings taken thereat and the Industry Members may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

9.11 Adjournments. Any meeting of the Industry Members may be adjourned to any time and from time to time and such business may be transacted at such adjourned meeting as might have been transacted at the original meeting from which such adjournment took place. No notice shall be required of any such adjournment. Such adjournment may be made notwithstanding that no quorum is present.

9.12 Quorum. The presence of not less than a majority of the Industry Members, in person or represented by proxy, shall be necessary for the transaction of business at any meeting of the Industry Members.

9.13 Show of Hands. Any question at an Industry Members' meeting may be decided by a show of hands. Whenever a vote by show of hands shall have been taken upon a question, a declaration by the chair of the meeting that the vote upon a question has been carried or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact.

9.14 Casting Vote. In the event of an equality of votes on any question before a meeting of Industry Members, the chair of the meeting shall not have a second or casting vote.

9.15 Location of Meetings. The Industry Members may hold their meetings either at the head office of the Corporation or at any place within or outside Canada as they may from time to time determine.

Article 10 AUDITOR

10.1 Auditor.

- (a) At the first meeting of the Industry Members following incorporation, the Industry Members shall appoint one or more auditors to audit the financial statements of the Corporation, and to report thereon at each annual meeting of the Industry Members, and if the Industry Members fail to do so, the Board shall forthwith make such appointment. Such auditors shall hold office until the close of the first annual meeting and thereafter, the Industry Members, at each annual meeting, shall appoint an auditor or firm of auditors to hold office until the close of the next annual meeting of the Industry Members, and, if an appointment is not so made, the auditor in office will continue in office until a successor is appointed. The Board may fill any casual vacancy in the office of auditor, but while any vacancy continues, the surviving or continuing auditor, if any, may act. A person other than a retiring auditor is not capable of being appointed auditor at such a meeting unless the notice requirements of the Act have been met.
- (b) The auditor shall not be a director, officer or employee of the Corporation or an affiliated corporation unless all of the Industry Members have unanimously consented thereto.

10.2 Remuneration. The remuneration of an auditor appointed by the Industry Members shall be fixed by the Industry Members or by the Board if it is authorized to do so by the Industry Members, and the remuneration of an auditor appointed by the Board shall be fixed by the Board.

Article 11 PARTICIPATING AUDIT FIRMS

11.1 Eligibility. Subject to Section 11.2 hereof, all accountants and accounting firms that are authorized to audit public companies in Canada shall be eligible to participate in the Program.

11.2 Transitional Eligibility. The Board may, until December 31, 2005, restrict the number of firms eligible to participate in the Program in accordance with criteria to be established by the Board from time to time.

11.3 Rules and Regulations.

- (a) The Board may prescribe rules and regulations respecting participation by PAFs in the Program, and may amend such Rules and Regulations as it may see fit from time to time.
- (b) The Board shall not prescribe new Rules and Regulations in final form and shall not make any material amendments to any, existing Rules and Regulations unless and until it has given not less than 60 days prior written notice of such new Rules and Regulations contemporaneously to:
 - (i) all Members and PAFs; and
 - (ii) the public in a form to be determined by the Board;
- (c) The Board shall establish the initial Rules and Regulations by December 31, 2004.

11.4 Application Process.

- (a) Any audit firm seeking to participate in the Program shall demonstrate its suitability for participation in an application, which shall be in such form and contain such information as the Board may from time to time prescribe.
- (b) In connection with reviewing an applicant's application, the Corporation may examine the books and records of the applicant and make copies thereof, and take such evidence as may be desirable or appropriate to ascertain relevant facts bearing upon the applicant's qualifications and the veracity of the information contained in the applicant's application.

11.5 Participation Agreement. Upon the approval of an applicant's application, the applicant shall sign a Participation Agreement agreeing to abide by all of the provisions of the By-laws and Rules and Regulations of the Corporation pertaining to participation in the Program.

11.6 Register of Firms. The Corporation shall maintain a register of all audit firms which are participants in the Program. Such register shall be made accessible to the public in a form to be determined by the Board.

11.7 Continuing Qualifications. Each PAF shall comply with all By-laws and Rules and Regulations, shall co-operate with the Corporation, and shall comply with any sanctions and restrictions that may be imposed by the Board.

11.8 Termination of Participant Status. The participant status of a PAF may be terminated upon resolution of the Board:

- (a) by submission by the PAF to the Corporation of a resignation which is accepted by the Board; or

- (b) for failure of the PAF to adhere to the requirements for participation in the Program, after following the appropriate procedure established by the Board from time to time with respect thereto.

11.9 Reinstatement of Participant Status. Where an audit firm has had its participant status terminated, the firm may be reinstated:

- (a) by complying with the admission requirements, if termination occurred by resignation; or
- (b) by complying with the admission requirements for new firms and obtaining the approval of the Board, if termination was imposed pursuant to Section 11.8 above.

Article 12 BORROWING

12.1 Borrowing. The Board may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) limit or increase the amount to be borrowed;
- (c) issue debentures or other securities of the Corporation;
- (d) pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient;
- (e) secure any such debentures, or other securities, or any other present or future borrowing or liability of the Corporation, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Corporation, and the undertaking and rights of the Corporation; and
- (f) delegate to such one or more of the Directors or officers of the Corporation as may be designated by the Board all or any of the powers conferred by the foregoing paragraphs (a), (b), (c), (d) and (e) of this Section 12.1 of this By-law No. 1 to such extent and in such manner as the Board shall determine at the time of each delegation.

12.2 Arrangements for Borrowing. From time to time, the Board may authorize any Director or officer of the Corporation to make arrangements with reference to the monies borrowed or to be borrowed as aforesaid and as to the terms and conditions of the loan thereof, and as to the security to be given therefor, with power to vary or modify such arrangements, terms and conditions and to give such additional security for any monies borrowed or remaining due by the Corporation as the Board may authorize, and generally to manage, transact and settle the borrowing of money by the Corporation.

**Article 13
NOTICE**

13.1 Procedure for Sending Notices. Notice shall be deemed to have been sufficiently sent to a Member, a Director or a PAF if sent in writing to the address of the addressee on the books and records of the Corporation and delivered in person, sent by prepaid first class mail or sent by any electronic means of sending messages (including facsimile or e-mail. Notice shall not be sent by mail if there is any general interruption of postal services in the municipality from which or to which it is mailed. Each notice so sent shall be deemed to have been received on the day it was delivered or sent by electronic means or on the fifth day after it was mailed. A notice shall be deemed to be properly given to a PAF if it is given in the manner provided in this Section 13.1 to any individual who is a partner, officer or employee of such PAF.

13.2 Undelivered Notices. If any notice given to any Member, Director or PAF pursuant to Section 13.1 hereof is returned on two consecutive occasions because the addressee cannot be found, the Corporation shall not be required to give any further notice to the addressee until the Corporation is informed in writing of the new address of such Member, Director or PAF.

13.3 Computation of Time. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

13.4 Waiver of Notice. Any of the Members, Directors, PAFs, officers and the auditor may waive any notice required to be given to him under any provision of the Act, the Letters Patent, this By-law No. 1 or otherwise and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in giving such notice.

WITNESS the corporate seal of the Corporation as of the <*> day of <*>, 2003.

Chair

Vice Chair

c/s

AND AS REGARDS Article 12 of this By-law No. 1, unanimously passed by the Directors and sealed with the corporate seal of the Corporation as of the <*> day of <*>, 2003.

Chair

Vice Chair c/s

Unanimously approved, sanctioned and confirmed by the Council of Governors on the <*> day of <*>, 2003.

Chair c/s

Unanimously approved, sanctioned and confirmed by the Industry Members on the <*> day of <*>, 2003.

Chair c/s