

CANADIAN PUBLIC ACCOUNTABILITY BOARD/

CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

BY-LAW NO. 1 - AMENDED AND RESTATED

(APPROVED BY THE BOARD OF DIRECTORS ON JANUARY 7, 2009)

TABLE OF CONTENTS

	Page
ARTICLE 1	INTERPRETATION 1
1.1	Definitions..... 1
1.2	Interpretation..... 3
ARTICLE 2	GENERAL..... 4
2.1	Head Office 4
2.2	Seal..... 4
2.3	Financial Year 4
2.4	Books and Records 4
2.5	Passage of By-laws..... 4
2.6	Amendment to Letters Patent..... 4
ARTICLE 3	THE BOARD..... 5
3.1	Duties 5
3.2	Number 6
3.3	Non-Accountant Directors 6
3.4	Accountant Directors 6
3.5	Duty to Consult 6
3.6	Qualification 7
3.7	Appointment and Term 7
3.8	Removal of Directors..... 7
3.9	Vacation of Office..... 7
3.10	Vacancies 8
3.11	Meetings and Quorum..... 8
3.12	Notice of Board Meetings..... 8
3.13	Meetings Without Notice..... 8
3.14	Adjourned Meetings..... 9
3.15	Meetings by Telephone..... 9
3.16	Error or Omission in Notice, Board..... 9
3.17	Chair..... 9
3.18	Voting 9
3.19	Powers..... 9
3.20	Committees 10
3.21	Declaration of Interest..... 10
3.22	Remuneration of Directors..... 10
3.23	Expenses 10
3.24	Confidentiality 10
ARTICLE 4	OFFICERS 10
4.1	Officers 10
4.2	Chair..... 10
4.3	Vice-Chair..... 11
4.4	Chief Executive Officer 11

TABLE OF CONTENTS

(continued)

	Page
4.5 Powers and Duties of Other Officers	11
4.6 Variations of Powers and Duties.....	11
4.7 Term of Office	11
4.8 Remuneration of Officers	11
4.9 Agents and Attorneys.....	11
ARTICLE 5 PROTECTION OF DIRECTORS AND OFFICERS	11
5.1 Limitation of Liability.....	11
5.2 Indemnity	12
5.3 Expenses Paid in Advance	12
5.4 Other Remedies Available	12
5.5 Insurance	12
ARTICLE 6 EXECUTION OF DEEDS AND BANKING.....	12
6.1 Signatories.....	12
6.2 Facsimile Signatures	13
6.3 Banking.....	13
ARTICLE 7 MEMBERS.....	13
7.1 Membership Classes	13
7.2 Withdrawal.....	13
ARTICLE 8 COUNCIL OF GOVERNORS	13
8.1 Council of Governors.....	13
8.2 Duty to Consult.....	13
8.3 Term and Vacation of Office of Accountant COG Member	14
8.4 Voting	14
8.5 Annual and Special General Meetings.....	15
8.6 Notice of Council of Governors' Meetings	15
8.7 Meetings Without Notice.....	15
8.8 Meetings by Telephone.....	15
8.9 Chair of Council of Governors	16
8.10 Persons Entitled to be Present.....	16
8.11 Error or Omission in Notice.....	16
8.12 Adjournments.....	16
8.13 Quorum	16
8.14 Show of Hands.....	16
8.15 Casting Vote.....	16
8.16 Location of Meetings	16
ARTICLE 9 PROVINCIAL AUDIT REGULATOR MEMBERS	17
9.1 Provincial Audit Regulator Members	17
9.2 Voting	18
9.3 Voting by Proxy.....	18

TABLE OF CONTENTS

(continued)

	Page
9.4	Annual and Special General Meetings..... 18
9.5	Notice of Provincial Audit Regulator Members' Meetings 18
9.6	Meetings by Telephone..... 19
9.7	Meetings Without Notice..... 19
9.8	Chair..... 19
9.9	Persons Entitled to be Present..... 19
9.10	Error or Omission in Notice..... 20
9.11	Adjournments..... 20
9.12	Quorum 20
9.13	Show of Hands 20
9.14	Casting Vote..... 20
9.15	Location of Meetings 20
ARTICLE 10	AUDITOR..... 20
10.1	Auditor 20
10.2	Remuneration 21
ARTICLE 11	PARTICIPATING AUDIT FIRMS 21
11.1	Eligibility 21
11.2	Rules 21
11.3	Application Process 22
11.4	Participation Agreement 22
11.5	Register of Firms..... 22
11.6	Continuing Qualifications..... 22
11.7	Termination of Participant Status 22
11.8	Reinstatement of Participant Status 22
ARTICLE 12	CONSULTATIVE COMMITTEES..... 22
12.1	Consultative Committees 22
12.2	Mandate of the Consultative Committees..... 22
12.3	Meetings of the Consultative Committees..... 23
12.4	Notice of Consultative Committee Meetings..... 23
12.5	Meetings by Telephone..... 23
12.6	Meetings Without Notice..... 23
12.7	Chair..... 23
12.8	Quorum 23
12.9	Location of Meetings 24
12.10	Attendance at Board Meetings..... 24
ARTICLE 13	BORROWING 24
13.1	Borrowing 24
13.2	Arrangements for Borrowing..... 24
ARTICLE 14	NOTICE..... 25

TABLE OF CONTENTS
(continued)

	Page
14.1 Procedure for Sending Notices	25
14.2 Undelivered Notices.....	25
14.3 Computation of Time	25
14.4 Waiver of Notice.....	25

BY-LAW NO. 1 – AMENDED AND RESTATED

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) “Accountant COG Member” means the person appointed as an “Accountant COG Member” in accordance with paragraph 8.1(b) hereof;
- (b) “Accountant Directors” means the directors of the Corporation appointed pursuant to paragraph 3.2(b) hereof;
- (c) “Act” means the *Canada Corporations Act*, and any act that may be substituted therefor, as from time to time amended;
- (d) “AMF” means the *autorité des marchés financier* of Quebec, or any successor body to such entity;
- (e) “Audit Oversight Regulatory Experience” means satisfactory experience, as determined at the discretion of the Council of Governors, at a Relevant Provincial Regulatory Authority (whether through serving or having served as a member of management or as a member of the board of directors or similar body) in the oversight of Public Accounting Firms;
- (f) “Board” means the board of directors of the Corporation;
- (g) “Business Day” means any day except Saturday, Sunday or a day that is a statutory holiday in Canada or a Province or Territory of Canada;
- (h) “By-laws” means this By-law No. 1 and all other By-laws of the Corporation from time to time in force and effect;

- (i) “Chair” means the officer designated as the “Chair” of the Corporation as specified in Section 4.2 hereof;
- (j) “Chief Executive Officer” means the officer designated as the “Chief Executive Officer” of the Corporation as specified in Section 4.4 hereof;
- (k) “Consultative Committee” means each committee created by the Corporation as contemplated by Section 12.1 hereof;
- (l) “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;
- (m) “Council of Governors” means the Members of the Corporation described in Section 8.1 hereof and “Governor” means any 1 of such Members;
- (n) “Directors” means the Non-Accountant Directors and the Accountant Directors;
- (o) “Letters Patent” means the Letters Patent incorporating the Corporation, as from time to time amended and supplemented by supplementary letters patent;
- (p) “Members” shall mean the Council of Governors and/or the Provincial Audit Regulator Members, as the context may require;
- (q) “Non-Accountant Directors” means the directors of the Corporation appointed pursuant to paragraph 3.2(a) hereof;
- (r) “Non-Audit Regulatory Experience” means satisfactory experience, as determined at the discretion of the Council of Governors, serving or having served as a member of management or the board of directors or similar body of a securities regulator or a regulator of financial institutions;
- (s) “OSC” means the Ontario Securities Commission, or any successor body to such entity;
- (t) “OSFI” means the Office of the Superintendent of Financial Institutions of Canada, or any successor body to such entity;
- (u) “Participating Audit Firm” or “PAF” means a Public Accounting Firm that, in accordance with the Rules, has entered into a Participation Agreement, has become a participant, and has not ceased to be a participant;
- (v) “Participation Agreement” means a participation agreement between the Corporation and a PAF contemplated by Article 11 of this By-law No. 1;

- (w) “Professional Accountant” means an individual who (i) holds a professional accounting designation; (ii) is not a sole proprietor, partner, member, director, officer or employee of any Participating Audit Firm; (iii) in the 1 year prior to appointment as an Accountant Director, was not a sole proprietor, partner, member, director, officer or employee of any Participating Audit Firm; and (iv) has satisfactory experience, as determined at the discretion of the Council of Governors, in (A) the preparation of complex financial statements by Reporting Issuers, (B) the auditing of complex financial statements of Reporting Issuers, or (C) the oversight of Public Accounting Firms that audit Reporting Issuers at a Relevant Provincial Regulatory Authority;
- (x) “Program” means the Corporation’s program applicable to PAFs;
- (y) “Provincial Audit Regulator Members” means the Members of the Corporation described in Section 9.1 hereof;
- (z) “Public Accounting Firm” means a sole proprietorship, partnership, corporation or other legal entity engaged in the business of providing services as public accountants;
- (aa) “Relevant Provincial Regulatory Authority” means an entity recognized under the relevant legislation in a Province or Territory of Canada with authority to oversee accounting firms or professional accountants that audit Reporting Issuers;
- (bb) “Reporting Issuer” means a reporting issuer under the relevant securities legislation in a Province or Territory of Canada, or where there is no such definition in any such jurisdiction, a comparable entity in such jurisdiction;
- (cc) “Rules” means the rules contemplated by Section 11.2 hereof; and
- (dd) “Vice Chair” means the officer designated as the “Vice Chair” of the Corporation as specified in Section 4.3 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, partnerships, corporations and other entities. 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 Provincial Audit Regulator Members at a special general meeting of the Provincial Audit Regulator 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 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 Provincial Audit Regulator Members at a special meeting of the Provincial Audit Regulator 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 Reporting Issuers;
- (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 its purpose;
- (e) hire the Chief Executive Officer;
- (f) obtain independent technical advice when needed and appropriate;
- (g) establish and maintain the participation requirements for PAFs;
- (h) establish and maintain a register of Public Accounting 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) oversee a system for the imposition of requirements, restrictions and sanctions directly on PAFs;
- (l) report publicly on the means taken to oversee the audit of Reporting Issuers 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) when appropriate, provide comments and recommendations on accounting standards, assurance standards, rules of professional conduct, and governance practices to Relevant Provincial Regulatory Authorities and any other relevant bodies;

- (p) make recommendations to the Relevant Provincial 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
- (q) when appropriate, notify the Relevant Provincial Regulatory Authorities, other applicable regulatory authorities and other supervisory bodies (including, without limitation, securities regulatory authorities and OSFI) whenever the Corporation has imposed requirements, restrictions or sanctions on any PAF.

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

- (a) at least 6 shall be Non-Accountant Directors appointed by the Council of Governors from among individuals who satisfy the criteria specified in Section 3.3 below;
- (b) at least 4, but no more than 5, shall be Accountant Directors appointed by the Council of Governors from among Professional Accountants;
- (c) at least 2 shall have Non-Audit Regulatory Experience or Audit Oversight Regulatory Experience;
- (d) at least 1 of the individuals who satisfies the criteria in paragraph 3.2(c) hereof shall also be a Professional Accountant; and
- (e) at least 1 of the individuals who satisfies the criteria in paragraph 3.2(c) hereof shall have Audit Oversight Regulatory Experience.

3.3 Non-Accountant Directors. A Non-Accountant Director shall be an individual who is otherwise qualified to be a Director and who:

- (a) does not hold a professional accounting designation;
- (b) is not a sole proprietor, partner, member, director, officer or employee of any Participating Audit Firm; and
- (c) in the 1 year prior to appointment as a Non-Accountant Director, was not a sole proprietor, partner, member, director, officer or employee of any Participating Audit Firm.

3.4 Accountant Directors. An Accountant Director shall be an individual who is otherwise qualified to be a Director and is a Professional Accountant.

3.5 Duty to Consult. Prior to the appointment of any Director, Chair or Vice-Chair (in each case other than a re-appointment of an individual then holding such position), but without limiting the discretion of the Council of Governors in such regard, the Council of Governors shall provide notice to, and invite comments and suggestions from, the Provincial

Audit Regulator Members in respect of the composition of the Board and candidates to be considered for appointment as a Director, Chair or Vice-Chair, as the case may be.

3.6 Qualification. The following individuals are not qualified to be appointed 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;
- (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.

3.7 Appointment 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 Directors shall be appointed by the Council of Governors at each annual meeting of the Council of Governors. Subject to Sections 3.8 and 3.9 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-appointment.

3.8 Removal of Directors. The Council of Governors may, by a resolution approved by at least 4 of the Governors, remove any Director before the expiration of his term of office and may by a resolution approved by at least 3 Governors, elect any person in his stead for the remainder of the term of the Director so removed. The Directors shall, on the requisition of the Chair of the Corporation or by any 2 Governors, call a special general meeting of the Council of Governors for the purpose of considering a resolution to remove any 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 1 or more requisitionists.

3.9 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 3.8 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 a Non-Accountant Director, if such director ceases to satisfy the criteria specified in Section 3.3 hereof; or
- (g) with respect to a Director who is an Accountant Director, if such director ceases to be a Professional Accountant.

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

3.11 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 7 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, by any 3 Directors, or by resolution of the Council of Governors.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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 1 of their number to be chair of the meeting.

3.18 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 1 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.

3.19 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.

3.20 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.

3.21 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.

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

3.23 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.

3.24 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 1 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 1 person may hold more than 1 office.

4.2 Chair. The Chair shall be chosen by the Council of Governors from among the Directors and shall be the Chair of the Corporation. Subject to Section 3.17 hereof, 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 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 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 2 classes of Members in the Corporation, namely, the Council of Governors and the Provincial Audit Regulator 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 6 Governors in number and shall be comprised of:

- (a) the individuals who hold the following offices and/or appointments:
 - (i) the Superintendent of Financial Institutions of Canada;
 - (ii) the Chair of the OSC;
 - (iii) the Chair of the AMF;
 - (iv) the Chair of the Canadian Securities Administrators, except where such individual is also the Chair of the OSC or Chair of the AMF, in which case, the Canadian Securities Administrators shall select the 4th Governor;
 - (v) a fifth Governor selected by the Canadian Securities Administrators; and
- (b) a person selected by the other 5 Governors who is a Professional Accountant and has Audit Oversight Regulatory Experience (the “Accountant COG Member”).

8.2 Duty to Consult. Prior to the appointment of the Accountant COG Member (other than a re-appointment of an individual then holding such position), but without limiting the discretion of the 5 Governors identified in paragraph 8.1(a) hereof in such regard, such

Governors shall provide notice to, and invite comments and suggestions from, the Provincial Audit Regulator Members in respect of the proposed selection of the Accountant COG Member.

8.3 Term and Vacation of Office of Accountant COG Member.

- (a) Subject to paragraph 8.3(b) hereof, the Accountant COG Member shall be appointed to hold office for a term of 3 years, renewable for 1 additional term of 3 years at the sole discretion of the other 5 Governors identified in paragraph 8.1(a) hereof.
- (b) The office of the Accountant COG Member shall be automatically vacated upon the occurrence of any of the following events:
 - (i) if the Accountant COG Member is adjudged a bankrupt under the *Bankruptcy and Insolvency Act* (Canada);
 - (ii) if an order of a court of competent jurisdiction is made under applicable provincial legislation declaring the Accountant COG Member to be a mentally incompetent person or incapable of managing his affairs;
 - (iii) if the Accountant COG Member is removed from office by resolution approved by at least 4 of the Council of Governors;
 - (iv) if, by notice in writing to the Corporation, the Accountant COG Member resigns his office and if such resignation is not effective immediately, upon such resignation becoming effective in accordance with its terms;
 - (v) on the death of the Accountant COG Member; or
 - (vi) if the Accountant COG Member ceases to be a Professional Accountant.
- (c) A vacancy of the office of the Accountant COG Member, however caused, shall be filled in accordance with paragraph 8.1(b) hereof and Section 8.2 hereof.

8.4 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 1 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 Directors, the sole right to appoint the Chair and the Vice-Chair of the Corporation and the sole right to appoint a roster of hearing officers to preside over review proceedings as contemplated by the Rules and appoint a chair of the roster of hearing officers. Except as aforesaid, the Governors shall have no other voting rights as Members of the Corporation.

8.5 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.

8.6 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.

8.7 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.

8.8 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.

8.9 Chair of Council of Governors. 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 15 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.

8.10 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.

8.11 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.

8.12 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.

8.13 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.

8.14 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.

8.15 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.

8.16 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
PROVINCIAL AUDIT REGULATOR MEMBERS

9.1 Provincial Audit Regulator Members. Provincial Audit Regulator Members shall consist of:

- (a) any entity that (i) was an “Industry Member” (as that term was defined in the Corporation’s amended and restated By-Law No. 1 approved by the Board on April 20, 2004) on the day immediately preceding the day on which the amended form of this Section 9.1 of this By-Law No. 1 became effective, (ii) within 3 months after the date the amended form of this Section 9.1 of this By-Law No. 1 became effective has agreed in writing to become a Provincial Audit Regulator Member, and (iii) has not given written notice to the Corporation of its withdrawal as a Provincial Audit Regulator Member; and
- (b) any other entities whose applications for membership as a Provincial Audit Regulator Member have received the approval of the Board. In determining admission to membership as a Provincial Audit Regulator Member pursuant to this paragraph 9.1(b), the Board shall consider, without limitation, the following criteria:
 - (i) whether the prospective Provincial Audit Regulator Member has met the required threshold of overseeing Participating Audit Firms that, during the 12-month reporting period specified in the Rules immediately preceding the date of application for membership by the prospective Provincial Audit Regulator Member, had aggregate Canadian audit fee revenue derived from auditing Reporting Issuers in the province in which the prospective Provincial Audit Regulator Member has jurisdiction of at least \$7,000,000 as determined at the discretion of the Corporation in accordance with the Rules; for the purposes hereof, (A) in circumstances where audit fee revenue is derived in more than 1 province from auditing a particular Reporting Issuer, such revenue shall be allocated to the province where the lead engagement partner of the relevant Participating Audit Firm that signs the audit opinion is located, and (B) in circumstances where such lead engagement partner holds more than 1 professional accounting designation which is overseen by a Relevant Provincial Regulatory Authority in that province, the audit fee revenue shall be allocated in equal amounts to each such professional accounting designation;
 - (ii) the disciplinary process of such prospective Provincial Audit Regulator Member, if any;
 - (iii) the code of ethics (including auditor independence requirements) implemented by such prospective Provincial Audit Regulator Member, if any; and
 - (iv) such other criteria as the Board sees fit.

9.2 Voting. Provincial Audit Regulator Members shall have the right to notice of, and attendance at, all meetings of the Provincial Audit Regulator Members and shall at all meetings of the Provincial Audit Regulator Members, be entitled to 1 vote in respect of any matter on which a Provincial Audit Regulator Member is entitled to vote in accordance with the provisions of this By-law No. 1. Without limiting the generality of the foregoing, the Provincial Audit Regulator Members shall have the sole right to vote for the appointment of the auditors of the Corporation, 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 Provincial Audit Regulator Member entitled to vote at a meeting of the Provincial Audit Regulator Members may appoint a proxyholder, or 1 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 Provincial Audit Regulator Member or its attorney. Any such proxyholder or representative need not be a Provincial Audit Regulator Member.

9.4 Annual and Special General Meetings.

- (a) An annual meeting of the Provincial Audit Regulator 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 Provincial Audit Regulator Members; and
 - (ii) auditors shall be appointed by the Provincial Audit Regulator Members for the ensuing year and the remuneration of the auditors shall be fixed or the Board shall be authorized to fix such remuneration.
- (b)
 - (i) The Board; or
 - (ii) the greater of (A) 2 Provincial Audit Regulator Members and (B) 10% of the Provincial Audit Regulator Members,

shall have the power to call, at any time, any meeting of the Provincial Audit Regulator Members.

9.5 Notice of Provincial Audit Regulator Members' Meetings. Notice of the time and place of any meeting of the Provincial Audit Regulator Members shall be telephoned or sent by electronic means (including facsimile and e-mail) to each Provincial Audit Regulator Member not less than 20 days before the meeting is to take place or shall be mailed to each Provincial Audit Regulator Member not less than 20 days before the meeting is to take place. Notice of a special general meeting of the Provincial Audit Regulator Members shall state the nature of the business to be transacted thereat in sufficient detail to permit the Provincial Audit Regulator

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. The auditor of the Corporation is entitled to receive all notices and other communications relating to any meetings of the Members.

9.6 Meetings by Telephone. If all the Provincial Audit Regulator Members of the Corporation consent thereto generally or in respect of a particular meeting, a Provincial Audit Regulator 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 a Provincial Audit Regulator 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 Provincial Audit Regulator Member by a roll-call of Provincial Audit Regulator Members participating in the meeting.

The Provincial Audit Regulator Members may also meet by any other electronic means that permits each Provincial Audit Regulator 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 Provincial Audit Regulator Member must have equal access to the specific means of communication to be used and each Provincial Audit Regulator 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 Provincial Audit Regulator Members may be held at any time and place without notice if all Provincial Audit Regulator 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 Provincial Audit Regulator Members may transact.

9.8 Chair. The Chair or, in his absence, the Vice-Chair, shall be the chair of all meetings of the Provincial Audit Regulator Members. If no such officer be present within 15 minutes from the time fixed for holding the meeting, the Provincial Audit Regulator Members shall choose some person, who need not be a Provincial Audit Regulator 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 Provincial Audit Regulator Members shall also appoint some person, who need not be a Provincial Audit Regulator Member, to act as secretary of the meeting.

9.9 Persons Entitled to be Present. The only persons entitled to attend Provincial Audit Regulator Members' meetings shall be the Provincial Audit Regulator Members, any person holding a proxy duly executed in accordance with Section 9.3 hereof, 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 Provincial Audit Regulator Members shall invalidate such meeting or make void any resolutions passed or proceedings taken thereat and the Provincial Audit Regulator 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 Provincial Audit Regulator 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 Provincial Audit Regulator Members, in person or represented by proxy, shall be necessary for the transaction of business at any meeting of the Provincial Audit Regulator Members.

9.13 Show of Hands. Any question at a Provincial Audit Regulator 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 Provincial Audit Regulator Members, the chair of the meeting shall not have a second or casting vote.

9.15 Location of Meetings. The Provincial Audit Regulator 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 Provincial Audit Regulator Members following incorporation, the Provincial Audit Regulator Members shall appoint 1 or more auditors to audit the financial statements of the Corporation, and to report thereon at each annual meeting of the Provincial Audit Regulator Members, and if the Provincial Audit Regulator 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 Provincial Audit Regulator 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 Provincial Audit Regulator 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 Provincial Audit Regulator Members have unanimously consented thereto.

10.2 Remuneration. The remuneration of an auditor appointed by the Provincial Audit Regulator Members shall be fixed by the Provincial Audit Regulator Members or by the Board if it is authorized to do so by the Provincial Audit Regulator 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 Public Accounting Firms shall be eligible to participate in the Program.

11.2 Rules.

- (a) The Board may prescribe Rules respecting participation by PAFs in the Program, and may amend such Rules as it may see fit from time to time.
- (b) A draft of any proposed new or amended Rule shall be exposed on the Corporation's website for not less than 60 days to allow for comments from Participating Audit Firms and other interested persons. Participating Audit Firms shall be notified via electronic mail within 3 business days when a draft of a proposed new or amended Rule has been placed on the Corporation's website. Following the allowed comment period, the Board shall be entitled to create new Rules or amend existing Rules in accordance with the exposed proposal with whatever non-material revisions thereto the Board considers to be appropriate, including in response to comments received thereon. In the event that the comments received cause the Board to make what it considers to be material revisions to proposed new or amended Rules, the revised proposed new or amended Rule shall be exposed on the Corporation's website for a further period of not less than 30 days to allow for further comments from Participating Audit Firms and other interested persons.
- (c) Once a new or amended Rule has been given final approval by the Board, it shall be effective upon its publication on the Board's website unless otherwise stipulated.

11.3 Application Process. Any Public Accounting 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.

11.4 Participation Agreement. Upon invitation by the Corporation, the applicant shall, if it wishes to participate in the Program, sign a Participation Agreement agreeing to abide by all of the provisions of the By-laws and Rules of the Corporation pertaining to participation in the Program.

11.5 Register of Firms. The Corporation shall maintain a register of all Public Accounting 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.

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

11.7 Termination of Participant Status. The participant status of a PAF may be terminated in accordance with and subject to compliance with the procedures established in the Rules:

- (a) by submission by the PAF to the Corporation of a resignation; or
- (b) by resolution of the Board.

11.8 Reinstatement of Participant Status. Where a Public Accounting Firm has had its participant status terminated, the Public Accounting Firm may be reinstated in accordance with and subject to compliance with the procedures established in the Rules.

Article 12 CONSULTATIVE COMMITTEES

12.1 Consultative Committees. There shall be 1 Consultative Committee for each Relevant Provincial Regulatory Authority of a single professional accounting designation (each a "Consultative Committee") consisting of the following members:

- (a) 1 or more representatives designated by each Relevant Provincial Regulatory Authority of a single professional accounting designation; and
- (b) 1 or more representatives designated by the Corporation.

12.2 Mandate of the Consultative Committees. The mandate of the Consultative Committees is to support close and continued cooperation and collaboration between the Corporation and the Relevant Provincial Regulatory Authorities through consultation on such matters relevant to such authorities, including current issues affecting such authorities, overall results of inspections by the Corporation and such authorities and issues arising therefrom, feedback on operations or methodologies of such authorities, regulatory responses to issues that may affect the auditing and/or accounting professions and changes in rules or policies of the

Relevant Provincial Regulatory Authorities. The Corporation shall provide notice to members of the Consultative Committees of any proposed changes to the By-laws or the Rules and invite members to consult with the Corporation in respect of such changes.

12.3 Meetings of the Consultative Committees. Meetings of members of a Consultative Committee shall be held at least twice in each calendar year. On occasion, there may be a joint meeting of 2 or more Consultative Committees, as determined at the discretion of the Chair.

12.4 Notice of Consultative Committee Meetings. Notice of time and place of any meeting of a Consultative Committee shall be telephoned or sent by electronic means (including facsimile and e-mail) to each member of such Consultative Committee not less than 20 days before the meeting is to take place or shall be mailed to each member of such Consultative Committee not less than 20 days before the meeting is to take place. Notice of meetings of a Consultative Committee shall include an agenda for the meeting stating the nature of the matters to be discussed thereat; provided however that notwithstanding the foregoing, any other matters relating to the auditing by Public Accounting Firms of Reporting Issuers may be discussed at such meeting which the members of the Consultative Committee present at such meeting so decide. Only the Corporation shall be authorized to give notice of a meeting of a Consultative Committee.

12.5 Meetings by Telephone. A member of a Consultative Committee may participate at any meeting of such Consultative Committee by such conference telephone facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a member of such Consultative Committee participating in such meeting by such means shall be deemed to be present at the meeting.

12.6 Meetings Without Notice. A meeting of the members of a Consultative Committee may be held at any time and place without notice if all members of such Consultative Committee are present and waive notice or otherwise consent to such meeting being held, and at such meeting any matters may be discussed which the members of such Consultative Committee so decide.

12.7 Chair. The Chair, or, in his absence, the Vice-Chair, shall be the chair of all meetings of any Consultative Committees. If no such officer be present within 15 minutes from the time fixed for holding the meeting, the representative designated by the Corporation to attend meetings of such Consultative Committee shall be the chair of the meeting. The Chair, or, in his absence, the Vice-Chair, or, in his absence, the representative designated by the Corporation to attend meetings of a Consultative Committee, shall report to the Board on the matters discussed at each meeting of such Consultative Committee.

12.8 Quorum. The presence of at least 1 representative designated by the Corporation and at least 1 member of the Consultative Committee from a Relevant Provincial Regulatory Authority shall be necessary for a meeting of such Consultative Committee to proceed.

12.9 Location of Meetings. Meetings of a Consultative Committee may be held at the head office of the Corporation or any place within or outside Canada as the Corporation may from time to time determine.

12.10 Attendance at Board Meetings. The Chair may, in his sole discretion, and shall, if requested by a majority of the other Directors, invite representatives of 1 or more Consultative Committees to attend meetings of the Board or the portion of such meetings of the Board at which specific inspection or regulatory matters were being considered in order to take advantage of the expertise that such representatives could bring to the deliberations.

Article 13 BORROWING

13.1 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 1 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 13.1 of this By-law No. 1 to such extent and in such manner as the Board shall determine at the time of each delegation.

13.2 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 14
NOTICE

14.1 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 on the third business day after it was mailed or on the day it was sent by electronic means or the first business day thereafter if the day on which it was sent by electronic means was not a business day. A notice shall be deemed to be properly given to a PAF if it is given in the manner provided in this Section 14.1 to any individual who is a partner, officer or employee of such PAF.

14.2 Undelivered Notices. If any notice given to any Member, Director or PAF pursuant to Section 14.1 hereof is returned on 2 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.

14.3 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.

14.4 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.