

Clause embodied in Report No. 12 of the Policy and Finance Committee, as adopted by the Council of the City of Toronto at its Special Meeting held on July 30, 31 and August 1, 2002.

30**Toronto Hydro Corporation - Board Appointments and
By-Law No. 1.1 - Shareholder Approval**

(City Council at its Special Meeting held on July 30, 31 and August 1, 2002, adopted this Clause, without amendment.)

The Policy and Finance Committee recommends:

- (A) the adoption of the report (July 12, 2002) from the Chief Administrative Officer, entitled “Toronto Hydro Corporation – Board Appointments” wherein it is recommended that:
- (1) the eight citizen members currently serving on the Board of Directors of Toronto Hydro Corporation as listed in Appendix A be re-appointed for another 3 year term;
 - (2) the Chair of the Board, Mr. Clare Copeland, be re-appointed Chair of the Board;
 - (3) the Chief Administrative Officer report to the ABC Ad Hoc Committee on a comprehensive Board evaluation process for all City corporate boards, as well as a process for general recruitment of new corporate directors; and
 - (4) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto; and
- (B) the adoption of the report (July 17, 2002) from the City Solicitor, entitled “Toronto Hydro Corporation By-law No. 1.1 – Shareholder Approval” wherein it is recommended that:
- (1) Council, as sole shareholder of Toronto Hydro Corporation, approve and adopt the resolution attached to this report; and
 - (2) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

The Policy and Finance Committee submits the following report (July 12, 2002) from the Chief Administrative Officer:

Purpose:

To recommend re-appointment of the eight citizen members to the Board of Directors of the Toronto Hydro Corporation.

Financial Implications and Impact Statement:

None.

Recommendations:

It is recommended that:

- (1) the eight citizen members currently serving on the Board of Directors of Toronto Hydro Corporation as listed in Appendix A be re-appointed for another 3 year term;
- (2) the Chair of the Board, Mr. Clare Copeland be re-appointed Chair of the Board;
- (3) the Chief Administrative Officer report to the ABC Ad Hoc Committee on a comprehensive Board evaluation process for all City corporate boards, as well as a process for general recruitment of new corporate directors; and
- (4) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

In July 1999, Council established the Board of Directors of the newly formed Toronto Hydro Corporation and appointed 8 citizen members and 3 Members of Council. A selection committee comprised of the Mayor and the 3 Councillors who served on the previous Hydro Commission nominated the original slate of candidates. A search consultant was engaged to recruit candidates who met the qualifications set out by Council and to assist the selection committee in the nomination process. Citizen members were appointed for a 3-year term, which is now about to expire. The CAO was directed at that time to recommend a process for selection of the Board upon expiry of the term. This report describes the process for evaluating the effectiveness of the current Board and recommends a similar process be adopted for other City corporations.

Comments:

A. Qualifications:

The Shareholder Direction approved by Council outlines the desired qualifications of the Board of Directors as a whole as follows:

- (a) experience or knowledge with respect to:

- (i) public utility commission or boards of major corporations or other commercial enterprises;
 - (ii) corporate finance;
 - (iii) corporate governance;
 - (iv) market development;
 - (v) large system operation and management;
 - (vi) urban energy industries;
 - (vii) public policy issues and laws relating to Toronto Hydro and the electricity industry; and
 - (viii) environmental matters, labour relations and occupational health and safety issues;
- (b) commercial sensitivity and acumen;
 - (c) independence of judgement; and
 - (d) personal integrity.

The City invested considerable time and resources in selecting the current directors. The range of qualifications was discussed at length among the Selection Committee, City staff, Hydro staff, the search consultant, and the City's advisor respecting electricity deregulation. All agreed that the current directors represent the whole range of desired characteristics, skills, and experiences needed for the Hydro Board.

B. Performance of Current Board:

The Hydro Corporation is still fairly new and operating in an environment which still continues to change since the retail market opening was considerably delayed. Continuity and growth of experience through these changes is important in this critical time. It would be a significant advantage to retain the current directors as long as the performance of the Board is satisfactory.

To test performance, the following actions were taken:

- (1) review of attendance records;
- (2) brief questionnaire to Board members to determine willingness to be re-appointed and satisfaction with the current composition;
- (3) comprehensive questionnaire conducted by Toronto Hydro of Board directors and Hydro senior staff to assess relationship between staff and Board, strengths of Board, relevance, satisfaction, and Board processes;
- (4) discussion with City Councillors on Board; and
- (5) discussion with senior staff of Toronto Hydro.

Taking all of this information together, there was a consensus that the current Board is committed and performing admirably in accordance with the City objectives and processes as laid out in the Shareholder Direction.

It is recommended that all eight citizen directors be re-appointed for a three-year term and that the Chair continue in his present role.

C. Evaluation of Board Performance for City Corporations:

It is recommended that a process be developed for the evaluation of Boards of City corporations for consideration by the ABC Ad Hoc Committee. The evaluation process might include the following:

- (1) 360° evaluation of current citizen directors including opinions from Board members themselves, senior staff of the corporation, Councillors on the Board, City staff interfacing with Board;
- (2) review of attendance records;
- (3) determination of willingness to stand for re-election to Board;
- (4) recommend for re-appointment where performance warrants; and
- (5) recruit through search consultant for new members needed.

The evaluation in (1) above should cover general effectiveness of the whole board and individual members, adherence to the Shareholder Direction, preparedness and contribution levels. At the same time, input on the effectiveness of the City/Board relationship should be sought.

Conclusion:

This report recommends that the eight citizen members of the Board of Directors of Toronto Hydro Corporation be re-appointed for a term of three years. A comprehensive selection process was used to select these directors in 1999 and the Board's performance was evaluated from the many perspectives. Continuity on the board is important while changes in the industry are still on-going.

Contact:

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Appendix A
Toronto Hydro Corporation Citizen Board Members

Mr. Clare Copeland, Chair

Former Chair and CEO, Ontario Store Fixtures
Former President and CEO, Peoples Jewellers Corporation
Former Chair, Sun Media Corporation
Former Chair, Ontario Place

Mr. Peter Y. Atkinson

Executive Vice-President and General Counsel, Hollinger Inc.
Vice-President, Hollinger International Inc.

Mr. David L. Bumstead

Former Executive Vice-President, Corporate Development, Noranda Inc.
Former Chair, Rudolph Wolff & Co.
Former Chair, Kerr Addison Mines

Dr. Ruth M. Corbin

Vice-Chair, Léger Marketing
CEO, Decision Resources Inc.
Former President, Kroll Canada
Former COO, Angus Reid Group

Mr. L. Ross Cullingworth

Consultant and Corporate Director
Former Chair, CEO of Brookfield Homes Ltd.

Dr. Frank Frantisak

Partner, Frank Frantisak & Associates
Former Senior Vice-President, Environmental Services, Noranda Inc.
Order of Canada Recipient, 2002

Mr. Timothy J. Millard

President and CEO, Ontario Forest Industries Association
Former Ontario Deputy Minister of Labour
Former Ontario Deputy Solicitor General
Former Ontario Deputy Minister of Correctional Services

Mr. David M. Williams

President and CEO, Workplace Safety and Insurance Board
Chair, Board of Directors, The Centre for Studies of Children at Risk
Former Executive Vice-President, George Weston Limited
Former Executive Vice-President, Loblaw Companies Limited
Former President, National Grocers Co. Ltd.

The Policy and Finance Committee also submits the following report (July 17, 2002) from the City Solicitor:

Purpose:

To approve, as shareholder, the by-law of the corporation in compliance with *the Ontario Business Corporations Act*.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendations:

It is recommended that:

- (1) Council, as sole shareholder of the Toronto Hydro Corporation, approve and adopt the resolution attached to this report; and
- (2) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Council, at its meeting of December 4, 5 and 6, 2001, by the adoption of Policy and Finance Committee Report No. 16, Clause 9 (“2001 Annual General Meeting and Financial Statements of Toronto Hydro Corporation”) approved the corporate by-laws of two subsidiaries of Toronto Hydro Corporation, the appointment of the auditor for the upcoming fiscal year, and received information with respect to the financial status of the company. One of the items outstanding from the 2001 Annual General Meeting was the approval of the corporate by-law for the parent corporation, Toronto Hydro Corporation.

Comments:

In order to fully comply with section 116 of the *Ontario Business Corporations Act* the City, as sole shareholder, should approve the resolution attached in the Appendix and the amended and restated By-law No. 1.1 of Toronto Hydro Corporation attached as Schedule “A” to the Appendix.

The proposed Toronto Hydro Corporation by-law was amended at the 2000 Annual General Meeting to delete certain provisions dealing with the procedures for the holding of Shareholder's Meetings. The provisions had to be redrafted in a manner to reflect compliance with both the *Ontario Business Corporations Act* and the *Municipal Act*. While the language with respect to the Shareholder's Meetings was not agreed to by the City and Toronto Hydro at the time of the 2001 Annual General Meeting, it has now been agreed to; and, in order to ensure compliance with the *Ontario Business Corporations Act*, it is necessary for the City, as sole shareholder, to approve the amended by-law to permit Toronto Hydro to continue to carry out its normal business activities under the guidance of its board of directors, as well as to support any documents which they may be required to provide to third parties as evidence of their compliance with the requirements of the *Ontario Business Corporations Act*.

Conclusion:

Attached to this report is the amended and restated By-law No. 1.1 of Toronto Hydro Corporation (Schedule "A") and a resolution with respect to that By-law (Appendix), which the City, as sole shareholder of Toronto Hydro Corporation, should approve.

Contact:

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Appendix

TORONTO HYDRO CORPORATION
(the "Corporation")

RESOLUTION OF THE SOLE SHAREHOLDER

Confirmation of By-law No. 1.1

RESOLVED THAT:

By-law No. 1.1 of Toronto Hydro Corporation, amended and restated, in the form attached hereto is approved by the sole shareholder. (Schedule "A" to this Resolution)

The Corporation's directors are authorized to pass the requisite resolution(s) giving effect to the foregoing. All resolutions passed by the directors in connection with the above are confirmed and ratified.

The Foregoing Resolution is hereby consented to by the sole shareholder of the Corporation pursuant to *the Business Corporations Act (Ontario)*.

Dated as of _____ day of July, 2002 and
Effective as of December 6, 2001

City of Toronto

per: Joseph Pennachetti, Treasurer
and Chief Financial Officer

per: Ulli S. Watkiss, City Clerk

Approved as to Form per: _____
Anna Kinastowski, City Solicitor

Authorized by Clause ____ of Policy and Finance Report No. ____
Adopted by Council at its meeting of July 30, 31 and August 1, 2002.

Ulli S. Watkiss, City Clerk

Schedule "A"

BY-LAW NO. 1.1 Amended and Restated

A by-law relating generally to the transaction
of the business and affairs of

TORONTO HYDRO CORPORATION

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VIII	- Shares
IX	- Dividends and Rights

X	-	Meetings of Shareholders
XI	-	Notices
XII	-	Interpretation

BE IT ENACTED as a by-law of TORONTO HYDRO CORPORATION (hereinafter referred to as the “Corporation”) as follows:

PART I

INTERPRETATION

1.01 Definitions. In the by-laws of the Corporation, unless the context otherwise requires:

“Act” means *the Business Corporations Act (Ontario)* and any statute that may be substituted therefor, as from time to time amended;

“appoint” includes “elect” and vice versa;

“articles” means the original or restated articles of incorporation, articles of amalgamation, articles of continuance, articles of reorganization, letters patent or other instrument of incorporation of the Corporation, as from time to time amended;

“board” means the board of directors of the Corporation;

“by-laws” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“meeting of shareholders” includes an annual meeting of shareholders and a special meeting of shareholders;

“non-business day” means Saturday, Sunday and any other day that is a holiday as defined in *the Interpretation Act (Ontario)*;

“Procedural By-law” means City of Toronto Municipal Code, Chapter 27, Council Procedures, as amended from time to time or any by-law that may be substituted therefor;

“recorded address” means, in the case of a shareholder, his address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation;

“Shareholder” or “shareholders”, where the plural is used, means the City of Toronto, and its successors and assigns, but only if the Shareholder is the sole shareholder of the Corporation;

“Shareholder Direction” means the document entitled “Shareholder Direction relating to Toronto Hydro Corporation” dated July 1, 1999 and executed by the City of Toronto, as from time to time amended;

“special meeting of shareholders” includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

“signing officer” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.03 or by a resolution passed pursuant thereto;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and

words importing the singular number include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

PART II

BUSINESS OF THE CORPORATION

Corporate Seal. The Corporation may have one or more different corporate seals which may be adopted or changed from time to time by the board, on which the name of the Corporation appears in the language or one or more of the languages set out in the articles.

2.02 Financial Year. The financial year of the Corporation shall end on such day in each year as the board may from time to time by resolution determine.

2.03 Execution of Instruments. Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the directors or officers. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal (if any) to any instrument. Any signing officer may certify a copy of any instrument, resolution, by-law or other document of the Corporation to be a true copy thereof.

2.04 Execution in Counterpart. Any articles, notice, resolution, requisition, statement or other document required or permitted to be executed by more than one person may be executed in several documents of like form each of which is executed by one or more of such persons, and such documents, when duly executed by all persons required or permitted, as the case may be, to do so, shall be deemed to constitute one document and to bear date as of the date of execution thereof by the last such person.

2.05 Banking Arrangements. The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof

shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 Voting Rights in Other Bodies Corporate. The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such proxies, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers signing or arranging for them. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Creation and Consolidation of Divisions. The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.

2.08 Name of Division. Subject to compliance with law, any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business under such name, provided that the Corporation shall set out its corporate name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation.

2.09 Officers of Division. From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or, if authorized by the board, the chief executive officer, may remove at its or his pleasure any officer so appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

PART III

BORROWING AND SECURITIES

3.01 Borrowing Power. Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles and the Shareholder Direction, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;

- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. The board may from time to time delegate to a committee of the board, a director or an officer of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board may determine at the time of each such delegation.

PART IV

DIRECTORS

4.01 Number of Directors and Quorum. The board shall consist of the number of directors determined from time to time by a special resolution within the minimum and maximum numbers set out in the articles. Subject to section 4.07, a majority of the number of directors so determined shall constitute a quorum at any meeting of the board.

4.02 Qualification. Unless otherwise provided by the Act, a majority of the directors shall be resident Canadians; if the Corporation has only one or two directors, that director or one of the two directors, as the case may be, shall be a resident Canadian. No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder.

4.03 Election and Term. The election of directors shall take place at the first meeting of shareholders and, if required, at each annual meeting of shareholders. The term of office for a director who is not a member of the City of Toronto Council is three (3) years or until his or her successor is elected. The term of office for a director who is a member of the City of Toronto

Council is eighteen (18) months or until his or her successor is elected. A director shall retire at the expiry of his or her term but, if qualified, shall be eligible for re-election. The election shall be by resolution. If an election of directors is not held at the proper time, the directors shall continue in office until their successors are elected.

4.04 Removal of Directors. Subject to the provisions of the Act, the shareholders may by resolution passed at an annual or special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting.

4.05 Vacation of Office. A director ceases to hold office when he dies, is removed from office by the shareholders acting pursuant to the Act, or ceases to be qualified for election as a director, or earlier if he shall have submitted his written resignation to the Corporation; in which last-mentioned event he shall cease to hold office at the later of (i) the time when such written resignation is sent or delivered to the Corporation and (ii) the time, if any, specified in such written resignation as the effective time of such resignation.

4.06 Action by the Board. Subject to the Shareholder Direction, the board shall manage or supervise the management of the business and affairs of the Corporation. Subject to sections 4.07 and 4.08, the powers of the board may be exercised by a meeting at which the quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.07 Canadian Majority. Unless otherwise provided by the Act, the board shall not transact business at a meeting unless a majority of the directors present are resident Canadians, except where

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadians would have been present had that director been present at the meeting.

4.08 Meeting by Communications Facilities. If all the directors present at or participating in the meeting consent, a meeting of the board or of a committee of the board may be held by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means shall be 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 board and of committees of the board. If a majority of the directors participating in a meeting held under this section are then in Canada, the meeting shall be deemed to have been held in Canada.

4.09 Place of Meetings. Meetings of the board may be held at any place in or outside Ontario. In any financial year of the Corporation a majority of the meetings of the board need not be held in Canada.

4.10 Calling of Meetings. Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the vice-chair of the board, the president or any two directors may determine.

4.11 Notice of Meeting. Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

4.12 First Meeting of New Board. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.13 Adjourned Meeting. 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.

4.14 Regular Meetings. The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.15 Meetings Without Notice. A meeting of the board may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated if all the directors are present in person (other than expressly to object that the meeting is not lawfully called) or if not so present have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting.

4.16 Chair of the Board. The board may from time to time appoint a chair of the board from amongst its members as nominated by the shareholder. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the president; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chair of the board, his duties shall be performed and his powers exercised by the vice-chair of the board, if appointed, or, in the absence of a vice-chair of the board, by the president.

4.17 Vice-Chair of the Board. The board may from time to time appoint a vice-chair of the board from amongst its members who shall have such powers and duties as the board or chair of the board may specify.

4.18 Term of Office of Chair of the Board and Vice-Chair of the Board. The board, in its discretion, may remove the chair of the board or the vice-chair of the board, without prejudice to such person's rights under any employment contract. Otherwise, each chair of the board and

vice-chair of the board appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

4.19 Chair of Meetings of the Board. The chair of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the board or vice-chair of the board. If no such officer is present, the directors present shall choose one of their number to be chair.

4.20 Votes To Govern. At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.21 Declaration of Interest. A director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act.

4.22 Expenses. The directors shall be entitled to be reimbursed only for expenses properly incurred by them in attending to the business of the board or any committee thereof.

PART V

COMMITTEES

5.01 Committee of Board. The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise. A majority of the members of such committee shall be resident Canadians unless the Act permits otherwise.

5.02 Transaction of Business. Subject to section 4.07, the powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Ontario.

5.03 Advisory Bodies. The board may from time to time appoint advisory bodies.

5.04 Procedure. Unless otherwise determined by the board, each committee and advisory board shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

PART VI

OFFICERS

6.01 Appointment. Subject to the Shareholder Direction, the board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating

seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. One person may hold more than one office.

6.02 President. If appointed, the president shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify.

6.03 Vice-Presidents. Vice-presidents shall have such powers and duties as the board or the chief executive officer may specify.

6.04 Secretary. The secretary, as and when requested to do so, shall attend and be the secretary of all meetings of the board, shareholders, and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to directors, shareholders, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation (if any) and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.05 Chief Financial Officer. The chief financial officer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as chief financial officer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.06 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 or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.07 Variation 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.

6.08 Term of Office. The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

6.09 Terms of Employment and Remuneration. The terms of employment and the remuneration of an officer appointed by the board shall be settled by it from time to time.

6.10 Declaration of Interest. An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 4.21.

6.11 Agents and Attorneys. The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the powers to subdelegate), as may be thought fit.

6.12 Fidelity Bonds. The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

PART VII

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability. The directors and officers shall comply with the Standards of Care set out in the Act. No director or officer shall be liable for the acts, receipts, 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 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 acts of any person with whom any of the moneys, securities or effects of the Corporation shall be 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 shall happen in the execution of the duties of his office or in relation thereto.

7.02 Indemnity. Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity apart from the provisions of this by-law.

7.03 Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 against such liabilities and in such amounts as the board may from time to time determine and are permitted by the Act.

PART VIII

SHARES

8.01 Commissions. The board may from time to time authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.02 Registration of Transfers. Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with an endorsement, which complies with the Act, made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.04.

8.03 Transfer Agents and Registrars. The board may from time to time appoint one or more agents to maintain, in respect of each class of securities of the Corporation issued by it in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

8.04 Lien for Indebtedness. If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles and to the Shareholder Direction, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.05 Non-recognition of Trusts. Subject to the provisions of the Act, the Corporation may treat the person in whose name a share is registered in the securities register as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payments in respect of the share and otherwise to exercise all the rights and powers of an owner.

8.06 Share Certificates. Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written certificate of acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Such certificates shall be in such form as the board shall from time to time approve. Any such certificate shall be signed in accordance with section 2.03 and need not be under corporate seal; provided that, unless the board otherwise

determines, certificates in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.07 Replacement of Share Certificates. The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate or certificate of acknowledgement in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding \$3, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.08 Joint Shareholders. If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.09 Deceased Shareholders. In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

PART IX

DIVIDENDS AND RIGHTS

9.01 Dividends. Subject to the provisions of the Act, the articles and the Shareholder Direction, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property, or by issuing fully paid shares of the Corporation.

9.02 Dividend Cheques. A dividend payable in money shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and

discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 Non-receipt of Cheques. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Record Date for Dividends and Rights. The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 Unclaimed Dividends. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

PART X

MEETINGS OF SHAREHOLDERS

10.01 Council Rules to Govern. The rules of procedure for meetings of the Shareholder shall be governed by the Procedural By-law. If any conflict shall appear between the by-laws of the Corporation and the Procedural By-law, the provisions of the Procedural By-law shall govern. If any conflict shall appear between the Procedural By-law and the Act as it pertains to the affairs and the governance of the Corporation, the provisions of the Act shall govern.

10.02 Annual Meetings. The annual meeting of the Shareholder shall be held at such time in each year as the board may from time to time determine; provided, however, that the meeting shall be held during a regularly scheduled meeting of the Shareholder. The board, chair of the board, the vice-chair of the board and the president shall have the power to call, by issuing a notice of meeting, an annual meeting of the Shareholder for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and transacting such other business as may properly be brought before the meeting.

10.03 Special Meetings. The board, the chair of the board, the vice-chair of the board and the president shall have power to call, by issuing a notice of meeting, a special meeting of Shareholder at any time.

10.04 In Camera Meetings. If any business to be considered at a meeting of the Shareholder is confidential, the notice of meeting shall request that the meeting be held in camera, with reasons explaining the nature of the request.

10.05 Notice of Meetings. Notice of the time and place of each meeting of the Shareholder shall be given in the manner provided in section 11.01 not less than 30 nor more than 50 days before the date of the meeting to each director, to the auditor and to the Shareholder. In exceptional circumstances, the Shareholder may, in writing, waive notice of or accept short notice of any meeting. Notice of a meeting of the Shareholder called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the Shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting.

10.06 Persons Entitled to Attend. The only persons entitled to attend a meeting of the Shareholder shall be those entitled to attend pursuant to the Procedural By-law, the chair of the board, the vice-chair of the board, the president, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to attend the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.7 Adjournment. If a meeting of the Shareholder is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.08 Resolution in Writing. A resolution in writing signed by or on behalf of the Shareholder is as valid as if it had been passed at a meeting of the Shareholder unless a written statement with respect to the subject matter of the resolution is submitted by a director or auditor in accordance with the Act.

PART XI

NOTICES

11.01 Method of Giving Notices. Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served), pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail, or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been received by the addressee on the fifth day after mailing; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate

communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

11.02 Notice to Shareholder. Notice to the Shareholder shall be given in accordance with the provisions of this by-law in care o the Clerk of the City of Toronto at the recorded address of the Shareholder, which shall initially be City Hall, 100 Queen Street West, 2nd Floor, West Tower, Toronto, Ontario M5H 2N2.

11.03 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 and the date of the meeting or other event shall both be excluded.

11.04 Omissions and Errors. The accidental omission to give any notice to any director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.05 Persons Entitled by Death or Operation of Law. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.06 Waiver of Notice. Any Shareholder, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of the board or of a committee of the board which may be given in any manner.

PART XII

INTERPRETATION

12.01 Interpretation. If any conflict shall appear between the by-laws of the Corporation and the provisions of the Shareholder Direction, the provisions of the Shareholder Direction shall govern.

PASSED by the board the ____th day of _____, 2002.

Chair

President

CONFIRMED by the shareholder in accordance with the Act the ____ day of _____, 2002.

per: Joseph Pennachetti, Treasurer
and Chief Financial Officer

per: Ulli S. Watkiss, City Clerk

Approved as to Form per: _____
Anna Kinastowski, City Solicitor

Authorized by Clause ____ of Policy & Finance Report No. ____
Adopted by Council at its meeting of July 30, 31 and August 1, 2002.