

employed regularly and full-time within the immediate offices of the Board members); (ii) the distribution of business among such personnel and among organizational units of the Corporation; (iii) the use and expenditure of funds (including the procurement of goods and services); and (iv) the development (for Board review) of strategic policy initiatives.

The bylaws also provide that in carrying out any of the responsibilities under the provisions of section 6.3 of the bylaws, the Chief Executive Officer shall be governed by the general policies of the Governing Board and by such rules and decisions as the Governing Board may lawfully make. The bylaws also provide that the appointment by the Chief Executive Officer of the officers of the Corporation designated in and established under section 6.2 shall be subject to the approval of, and made in consultation with, the Governing Board. The bylaws also provide that the dismissal of the officers of the Corporation designated in and established under section 6.2 shall be made in consultation with the Governing Board, except that when the Board determines that the dismissal arises out of a conflict regarding the general policies of the Governing Board, it is also subject to the approval of the Governing Board.

The bylaws also provide that each Board member has the responsibility and authority for the appointment, dismissal, and supervision of personnel employed regularly and full-time within the immediate office of the Board member. The Board member's responsibility and authority for these persons would be subject to the Governing Board's overall personnel policies.

The bylaws also provide that the Chief Executive Officer has the responsibility and authority to develop, and present to the Board for approval, an annual budget as well as mid-year adjustments, if any. The bylaws further provide that there is reserved to the Governing Board its responsibility and authority with respect to determining the distribution of funds according to major programs and purposes, including those related to salary schedules and other conditions of employment.

The bylaws also provide that no contract entered into by or on behalf of the Corporation shall personally obligate any employee, officer, or Governing Board member, including the employee, officer or Governing Board member authorizing or executing such a contract. Further, unless otherwise prohibited by law, the bylaws provide for the Corporation to indemnify

employees, officers, and Governing Board members, and any former employees, officers, or Governing Board members, against any and all expenses and liabilities actually and necessarily incurred by him or her, or imposed on him or her, in connection with any claim, action, suit, or proceeding (whether actual or threatened, civil, criminal, administrative, or investigative, including appeals), to which he or she may be or is made a party by reason of being or having been an employee, officer, or Board member, except that there shall be no indemnification in relation to matters as to which the Board finds that the employee, officer, or Board member acted in bad faith or engaged in willful misconduct in the performance of a duty to the Corporation. Amounts paid in indemnification of expenses and liabilities may include, but shall not be limited to, counsel and other related fees, costs and disbursements, and judgments, fines and penalties against, and amounts paid in settlement by, such employee, officer, or Board member. The bylaws further permit the Corporation to advance expenses to, or where appropriate to itself, at its expense, undertake the defense of any employee, officer, or Board member, so long as the employee, officer, or Board member undertakes to repay or reimburse such expense if it should be ultimately determined that he or she is not entitled to indemnification under the bylaws.

The bylaws also permit the Governing Board to purchase insurance on behalf of any employee, officer, or Governing Board member against any liability which may be asserted against or incurred by him or her which arises out of such person's status as an employee, officer, or Board member, whether or not the Corporation would have the power to indemnify such person against that liability under law.

The bylaws permit the Governing Board to adopt such rules of the Corporation as it deems necessary or appropriate to discharge its responsibilities under the Sarbanes-Oxley Act. The bylaws also prohibit any capital expenditure or investment without the approval of the Board, except as expressly delegated by the Governing Board. Finally, the bylaws require the Governing Board to retain an accounting firm to annually audit the Corporation's financial records, which firm shall not perform any other services, except tax services, for the Corporation.

In the event that the Commission approves the Board's bylaws, the Board seeks that they be approved so as to be

retroactively effective as of January 9, 2003.

B. Board's Statement on Burden on Competition

The proposed rule does not impose any burden on competition.

C. Board's Statement on Comments on the Proposed Rule Received From Members, Participants or Others

The Board has not solicited, and does not intend to solicit, comments on this proposed rule. The Board has not received any unsolicited written comments.

III. Date of Effectiveness of the Proposed Rule and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Board consents the Commission will:

(a) by order approve such proposed rule; or

(b) institute proceedings to determine whether the proposed rule should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule is consistent with the requirements of Title I of the Sarbanes-Oxley Act and the Exchange Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the PCAOB. All submissions should refer to File No. SR-PCAOB-2003-01 and should be submitted by July 9, 2003.