

Q&A on Auction and Reserve Sale Financial Services Request for Expression of Interest

Q1. Does a Contractor have the option to submit an REI for either the Auction and Reserve Sale or the transactional escrow agency services?

A1. The Request for Expression of Interest (REI) is to seek Expressions of Interest (EOI) from qualified financial institutions to provide Auction and Reserve Sale Financial Services (Financial Services) including financial transactional escrow services to support the implementation of state and provincial auctions and reserve sales. The REI does not solicit an EOI for Auction and Reserve Sale Administrator (Auction Administrator) services. These services are managed under a separate contract. Financial Services solicited under the REI include pre-auction and reserve sale escrow services which result in data that is required to be transmitted to the Auction Administrator, including: entity financial services account and bid guarantee type and amount data. After an auction is conducted by the Auction Administrator, the Financial Services Administrator receives auction results from the Auction Administrator to conduct post-auction and reserve sale escrow services, including receiving and recording cash payment, drawing on physical bid guarantee document, exchanging currency, and payment of proceeds.

Q2. How many auctions are anticipated in a month?

A2. Offeror's should anticipate quarterly auctions and quarterly reserve sales. As provided in the REI on page nine (9), the total number of anticipated joint auctions for the period of performance is 18, equating to one joint auction per quarter. Additionally, up to eight (8) jurisdiction-specific auctions and fifty two (52) reserve sales should be anticipated. Events including a joint auction, jurisdiction-specific auction, and reserve sale may occur in the same month.

Q3. Can WCI Share the current fees for these services?

A3. WCI, Inc. provides access to current contracts at <http://www.wci-inc.org/documents.php>. Confidential and business sensitive information, including the fees for current financial services, has been redacted from the posted contracts to protect WCI, Inc. and its service providers.

Q4. On the conference call there was a question specific to if each auction includes the same participants or if participants change for each auction.

A4. Auction participants vary from auction to auction. After each auction, a report is published that includes a complete list of approved applicants (qualified bidders). As indicated in the qualified bidders list, a qualified bidder is an entity that completed the auction application or confirmed an intent to bid for the auction, submitted an acceptable bid guarantee, and was approved to participate in the auction. This information is publically available on Jurisdiction web pages and can be helpful to assess the changes in participation in auctions.

Further detail on the California and Québec auctions and reserve sales can be found in the auction and reserve sale notices posted by the jurisdictions. California Auction and

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Reserve sale notices can be found at:

<http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm>

Québec auction and reserve sale notices can be found at:

<http://www.mddelcc.gouv.qc.ca/changements/carbone/Ventes-encheres.htm>

Q5. On the conference call, there was a comment pertaining to regulatory requirements that may be different in Canada from the United States (US), in particular regarding the opening of accounts with the financial services provider.

A5. As stated in the REI, to be eligible, Contractor(s) (in cooperation with any subcontractors) must have an official financial services presence in the country they seek to provide service in and be able to provide all required Financial Services in accordance with all applicable national laws and regulations of the Participating Jurisdictions.

In other words, all the work (including account structure, account set up, account verification, account management and bid guarantee verification, etc.) required by the contractor must comply with Canadian national and any applicable subnational laws for an Offeror seeking to offer Canadian-based financial services, while an Offeror seeking to offer US-based financial services must respect all US national and any applicable subnational laws. Finally, an Offeror seeking to offer both services (Canadian-based and US-based), as they must have an office in both countries, must respect all national and any applicable subnational laws from both countries.

Questions and answers provided in May 6, 2016 update

Q6. What is the distribution on the types of bid guarantees?

A6. The distribution of submitted bid guarantees by type can vary significantly in each auction. In general, the majority of bid guarantees submitted are submitted in cash, while the remaining are submitted as letters of credit.

Q7. What is the distribution of the value of the financial guarantees?

A7. The distribution of the value of submitted bid guarantees by type can vary significantly in each auction. Some general trends based on past auctions include the following:

- A substantial portion of the total value of submitted bid guarantees is from letters of credit, while the remaining value of submitted bid guarantees is from cash.
- A substantial portion of bid guarantees submitted are for an amount less than \$50 million.
- The value of individual bid guarantees submitted varies greatly, but has historically been in a range of \$12,500 to \$200,000,000.

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Q8. For currency exchange, what amounts would commonly be exchanged?

A8. Currency exchange required can vary significantly in each auction, in amount, as well as the direction of the currency exchange. In general, currency exchange would not be expected to exceed 15 percent of the total proceeds that result from an auction. For additional information on the number of qualified bidders for each auction and the proceeds resulting from for each auction can be found in the auction and reserve sale notices and reports posted online by the jurisdictions.

For California, notices and reports posted can be found at:

<http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm>.

For Québec, notices and reports posted can be found at:

<http://www.mddefp.gouv.qc.ca/changements/carbone/index-en.htm>.