

Minutes of the Board of Directors

Thursday, September 29, 2016 – 1:00 PM ET/ 10:00 AM PT

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held its annual meeting on September 29, 2016, at the Ontario Investment and Trade Centre in Toronto, Ontario. The Board approved the May 12th meeting minutes, elected officers, appointed members to standing committees, reviewed corporate policies, and adopted the 2017 budget. The Board then convened an executive (closed) session to discuss procurement and strategic planning matters.

The meeting was called to order by the Chair, Mary Nichols, at 1:08 p.m. Eastern Time/10:08 a.m. Pacific Time. Debbie Pollard kept the minutes of the meeting. Consecutive interpretation between French and English was provided during the open session. Five members of the public attended the meeting in person and two members attended by phone.

Attendance

The following Directors were present, constituting a quorum pursuant to the By-Laws:

- Mary Nichols (Chair)
- Robert Fleming (Vice Chair)
- Matt Rodriguez (Treasurer)
- Jean-Yves Benoit (Secretary)
- Geneviève Moisan
- Tim Lesiuk
- Jim Whitestone

Also present were:

- Michael Gibbs, State of California
- Mark Wenzel, State of California
- France Delisle, Province of Québec
- Dave Tiffin, Province of Ontario
- Rajinder Sahota, State of California
- Alex Wood, Province of Ontario
- Tom Johnson, Province of Ontario
- Dhruva Thakar, Province of Ontario
- Greg Tamblyn, WCI, Inc. Executive Director
- Eric Turcotte, WCI, Inc. Assistant Executive Director
- Debbie Pollard, WCI, Inc.
- Austin Keyes, WCI, Inc. Corporate Counsel
- Bryan Lopuck, Lionbridge (Translator)

- David Sword, Energy Consultant
- Bob Barnett, Landowner Relations
- Gabe De Roche, Hill+Knowlton Strategies
- Margaret Logan, Armstrong Fluid Technology
- Peter Mayer, CertainTeed Gypsum

Mr. Tamblyn opened the meeting, roll call was taken, and a quorum was established. Ms. Nichols asked Mr. Tamblyn to give an overview of the agenda. Ms. Nichols asked if any Board members had any changes or additions to the agenda. Ms. Nichols requested the election of officers be moved to the first agenda item, followed by the approval of the minutes and the appointment of standing committee members. Ms. Nichols asked if there were any objections. Hearing none, the Board moved to the first agenda item.

I. Elect Officers and Appoint Standing Committee Members for 2017

a. Officers

As provided for in the By-Laws, the Board elects officers and appoints members to standing committees annually. Mr. Benoit made a motion on the following resolution:

RESOLVED that the following-named persons are elected to the offices set forth beside their respective names, to serve until the next annual meeting of the Directors and until their successors are duly elected and qualified:

- Chair: Matt Rodriquez
- Vice Chair: Robert Fleming
- Treasurer: Mary Nichols
- Secretary: Jean-Yves Benoit

Ms. Nichols asked if there were any comments by the Board. Hearing none, the motion was seconded by Mr. Rodriquez and unanimously approved by the Board.

Ms. Nichols thanked everyone for the opportunity to serve as the Chair and noted that it has been an excellent year for the organization. Ms. Nichols then turned the meeting over to Mr. Rodriquez, the newly elected Chair.

Mr. Rodriquez thanked Ms. Nichols for serving as the Chair over the past year.

II. Approve May 12, 2016 Board Meeting Minutes

The May 12, 2016 meeting minutes were presented in both English and French. Mr. Rodriquez asked if there were any questions or corrections to the minutes as they were presented. There were no comments from the Board. Hearing none, Mr. Rodriquez asked for a motion to approve the minutes as they were presented.

Mr. Whitestone made a motion to approve the May 12, 2016 minutes as they were presented. The motion was seconded by Mr. Benoit and unanimously approved by the Board.

III. Elect Officers and Appoint Standing Committee Members for 2017 Officers

b. Appointment of Standing Committee Members

Mr. Rodriguez asked Mr. Tamblyn to provide a brief overview of the roles and responsibilities of the Executive Committee.

i. Executive Committee:

Per the By-Laws of the Corporation, the Executive Committee has the authority to act for the Board between meetings of the Board, except for in the following instances: 1) filling vacancies on the Board or any standing committee, or the creation or elimination of any standing committee; 2) amending or repealing of the By-Laws or the adoption of new By-Laws; 3) amending or repealing any resolution of the Board; and 4) fixing any compensation for Directors serving on the Board or any committees.

Mr. Rodriguez noted that the By-Laws require WCI, Inc. to have at least four (4) officers on the Executive Committee and that the Executive Committee in the past has included all of the Class A Directors for the Corporation.

Upon a motion by Mr. Rodriguez and seconded by Ms. Moisan, the Board unanimously approved the Executive Committee.

RESOLVED that the Executive Committee shall be comprised of Matt Rodriguez, Mary Nichols, Robert Fleming, Jim Whitestone, Geneviève Moisan, Jean-Yves Benoit, and Tim Lesiuk.

ii. Audit Committee:

Mr. Tamblyn provided a brief overview of the roles and responsibilities of the Audit Committee. Per the By-Laws, the Audit Committee shall consist of no fewer than two and no more than six Class A directors. The committee is charged with oversight of the quality and integrity of the Corporation's accounting, auditing, and reporting practices.

Upon a motion by Mr. Rodriguez, seconded by Mr. Whitestone, the Board unanimously approved the Audit Committee.

RESOLVED that the Audit Committee shall be comprised of the following Directors: Matthew Rodriguez, Geneviève Moisan, Robert Fleming and Tim Lesiuk.

iii. Finance Committee:

Mr. Tamblyn provided a brief overview of the roles and responsibilities of the Finance Committee. The Finance Committee must consist of at least two Class A Directors, one of whom must be the Treasurer. The Treasurer serves as chair of the Finance Committee. The Finance Committee shall advise the Treasurer and the Board as to the investments, budget, and general fiscal policies of the Corporation.

Upon a motion by Mr. Rodriguez, seconded by Mr. Fleming, the Board unanimously approved the Finance Committee.

RESOLVED that the Finance Committee will be chaired by the Treasurer and shall comprise the following Directors: Jean-Yves Benoit and Jim Whitestone.

IV. Corporate Policies

a. Review of the WCI, Inc. Ethical Guidelines and Conflict of Interest Policy

WCI, Inc. Corporate Counsel, Austin Keyes, provided an overview of Ethical Guidelines and Conflict of Interest Policy, including the fiduciary responsibility of directors. The Ethical Guidelines and Conflict of Interest Policy applies to Board members and alternates, committee members, officers and employees. Mr. Tamblyn will be collecting all signed copies and report back to the Chair once all the documents have been received.

Mr. Rodriguez asked if there were any questions. No questions were asked.

b. Proposed Amendment to the Funds Management Policy

Mr. Tamblyn presented a proposed amendment to the WCI, Inc. Funds Management Policy for the Board's consideration. WCI, Inc. maintains a Funds Management Policy which establishes the requirements for how the Corporation's funds shall be managed. The Finance Committee is charged with reviewing and recommending any changes to the Policy for the Board's consideration.

Included in the materials for the Board was a memo from the Finance Committee recommending an expansion of the allowed insurers for cash deposits. The proposed change to the Policy would allow for cash assets to be held in accounts insured by the FDIC in the United States, the CDIC in Canada, and the AMF in Québec.

In addition, because WCI, Inc. now has bank accounts in Canada and the United States, it was recommended that the reference to "Custodian" be changed from "The Custodian" to "A Custodian" in the Policy.

These changes to the Policy clarify the ability of the Corporation to use bank accounts in Québec, while maintaining the objectives of the Policy.

Mr. Rodriguez asked if there were any questions. Hearing none, Mr. Rodriguez asked for a motion to approve the amendment to the WCI, Inc. Funds Management Policy as presented.

Ms. Nichols made a motion to approve the amendment to the WCI, Funds Management Policy as presented. The motion was seconded by Ms. Moisan and unanimously approved by the Board. The Funds Management Policy is modified as recommended.

V. Finance Committee Report

a. Treasurer's Evaluation of Compliance with Funds Management Policy.

WCI, Inc. maintains a Funds Management Policy that establishes requirements for the management of the Corporation's funds, including that the Treasurer shall prepare and present to the Board an evaluation of the compliance with the Policy at least annually. Mr. Rodriguez transmitted his evaluation in writing to the Board in advance of the meeting; this was also posted to the WCI, Inc. website. Mr. Rodriguez asked if there were any questions from the Board or public. No questions were asked.

b. 2017 Budget and Projected Expenses for 2018

Mr. Tamblyn presented the 2017 Budget for Board consideration and approval. Mr. Tamblyn also presented the projected expenses for 2018. The document was circulated to the Board

and posted to the WCI, Inc. website prior to the meeting. Mr. Tamblyn noted that the budget and projected expenses were developed with input from the Participating Jurisdictions based on the needs for their cap-and-trade programs. The budget was also informed by three significant developments this past year:

1. Ontario passed legislation and published regulations to implement its cap-and-trade program, therefore the 2017 Budget and 2018 projection include costs to enhance the WCI, Inc. services to enable WCI, Inc. to support the Ontario program.
2. In 2015 WCI, Inc. entered into an agreement with CSRA for Auction Services. During 2016 it became apparent that CSRA was not able to meet the requirements of the agreement and the agreement was consequently terminated.
3. WCI, Inc. then entered into an agreement with the runner up to CSRA, Markit. The proposed 2017 budget includes cost associated with the California- Québec Joint Auctions and the Ontario stand-alone auctions, as well as costs associated with updates to the Markit auction platform.

Mr. Tamblyn provided an overview of the budget for cap-and-trade services as well as personnel and operating expenses for the Corporation. Mr. Tamblyn also provided a brief overview of the Financial Status Report. Mr. Tamblyn concluded the budget presentation.

Mr. Rodriguez asked if there were any questions.

Mr. Benoit noted that the budget for Travel, Meeting and Other Expenses is \$56,000 for 2017 and 2018, however, the Financial Status Report presents the costs as \$46,000 for 2017 and 2018. Mr. Benoit asked Mr. Tamblyn to clarify the correct amount.

Mr. Tamblyn stated that the correct amount for 2017 and 2018 is \$46,000 and requested that the board consider approving the proposed budget with the changes noted.

Mr. Benoit made a motion to adopt the 2017 budget with the correction to the Travel, Meeting and Other Expenses. Mr. Whitestone seconded the motion and the Board unanimously approved the 2017 budget, followed by adoption of the following resolution:

RESOLVED that the budget for the fiscal year of the Corporation beginning January 1, 2017 and ending December 31, 2017, as presented and attached to the minutes and as modified by the Executive Director, is hereby ratified, approved and adopted.

Note: Ms. Nichols left the call prior to the vote to approve the budget. Mr. Gibbs acting as Ms. Nichols' alternate voted in her place.

VI. Executive Directors Report

Mr. Tamblyn provided an update on WCI, Inc. operational matters.

- In early 2016 WCI, Inc. entered into new funding agreements with the State of California and the provinces of Québec and Ontario. In support of Ontario's cap-and-trade program WCI, Inc. staff, with the support of staff from California and Québec, have been preparing cap-and-trade services to meet the needs of Ontario.
- In August a milestone was reached, which enabled Ontario to begin registering entities in the Compliance Instrument Tracking System Service (CITSS). This milestone and work being conducted on the auction platform and other services

provided by WCI, Inc. are scheduled to be completed in time for Ontario's first auction in early 2017.

- In support of WCI, Inc. operations in Canada, WCI, Inc. hired an Assistant Executive Director, Eric Turcotte. In addition, WCI, Inc. has also engaged the services of professionals to support operations in Québec, including:
 - An accountant to assist in preparing tax forms,
 - Legal counsel, and
 - A payroll service to facilitate the payment of salaries, collect the appropriate tax withholdings and remit those withholdings to the appropriate authorities.

Mr. Tamblyn noted that the next meeting of the Board of Directors is planned for early December.

Mr. Benoit requested that a written report of WCI, Inc. achievements be developed and presented at the December Board meeting, and made public on the WCI, Inc. website. Mr. Rodriguez noted that a brief summary of accomplishments would be helpful. Mr. Tamblyn will develop an annual report for review by the Board at the December meeting.

Mr. Rodriguez expressed his appreciation to the public for their attendance at the meeting and noted that WCI, Inc. has a very specific purpose, to provide support to the various programs of the Participating Jurisdictions. Many of the discussions are technical, covering budgets and contracts to provide support services, which are critical to providing support to the programs implemented by the Participating Jurisdictions. Mr. Rodriguez asked if there were any questions or comments from the public.

Peter Mayer, from CertainTeed Gypsum, asked if WCI, Inc. had completed any work related to carbon sequestration and if so, were any reports available?

Mr. Tamblyn stated that there are no WCI, Inc. reports on carbon sequestration. Mr. Tamblyn then directed Mr. Mayer to WCI, Inc.'s Participating Jurisdiction websites including: the California Air Resources Board, The Québec Ministry of Sustainable Development, Environment and Fight Against Climate Change and the Ontario Ministry of the Environment and Climate Change.

Mr. Rodriguez asked if there were any other questions. Hearing none, Mr. Rodriguez asked for a motion to adjourn into executive (closed) session. Upon a motion by Mr. Fleming and seconded by Mr. Benoit, the public session adjourned at 2:36pm Eastern / 11:36am Pacific. The Board then convened for an executive (closed) session to discuss procurement matters and strategic planning.

Respectfully submitted,

Jean-Yves Benoit, Secretary