

WCI, INC. BY-LAWS AND PROCUREMENT POLICY AMENDMENTS SUMMARY FOR BOARD DISCUSSION

October 12, 2017

Introduction

After review, the WCI, Inc. Executive director recommends several changes to the By-Laws for clarity and efficiency in governance and operations. The following is a summary of the recommendations and issues the Board may consider at the October 12th Board meeting.

Quorum

Question #2: Should vacancies in Class A Director positions be counted in the definition of “Board” for purposes of determining quorum? (Sections 4.3)

Under current By-laws, when the term “Entire Board” is used it means all director positions whether filled or vacant. Section 4.10 of the current By-Laws requires a majority of the “Entire Board” (i.e. a majority of all the Class A director positions) to establish a quorum. If there are any Class A director vacancies, it may be difficult to establish a quorum for a meeting. There are also many other uses of “Entire Board” in the current version of the By-Laws and the same concern is raised in each instance.

In addition, as WCI, Inc. plans for expansion of the program through the addition of new jurisdictions, it is anticipated that the size of the Board will grow. It is also anticipated that from time to time there may be vacancies on the Board. This increase in Board positions increases the concern discussed in the paragraph above.

In order to remedy this potential problem, Section 4.3 in the current draft of the proposed revised By-laws has been changed so that when the term “Board” is used in the By-laws it only means those Class A director currently in office and not all Class A director positions (filled and vacant). If this change is approved by the Board, the term “Entire Board” would be deleted from the By-laws and replaced with “Board.”

2/3 Vote for Certain Contracts

Question #3: What should be the dollar amount threshold for contracts that require approval of 2/3 of the Board? (Section 4.11)

Section 4.11 of the current By-Laws requires 2/3 Board approval for any contract in excess of \$50,000. The main purpose of this provision is to make sure a super-majority of the Board agrees on contracts that are significant to the organization both in scope of program activities and financial terms. This 2/3 Board approval requirement also means that any such contract cannot be approved by the Executive Committee.

As the organization has grown and matured, the issue is whether this dollar threshold for “significant contracts” is the correct amount given the other protections the organization has in place (Finance Committee, Executive Committee and Board review of contracts and audited financials) and the burden to staff and the Board required to obtain 2/3 approval. In order to reduce the overall voting threshold by the Board on certain contracts and to allow for the Executive Committee to approve certain contracts, the proposed revised draft of the By-Laws increases this amount to \$250,000. In discussion with other directors, it has been suggested this threshold amount be as large as \$1,000,000.

This last change would also require an amendment to the Procurement Policy. A draft of the revised Procurement Policy is attached at the end of this document. The requisite changes to the Procurement Policy are reflected in the table on page 3.

No Dissenting Votes

Question #4: On what matters should a single dissenting director be allowed to block approval of a matter before the Board? (Sections 4.11 and 5.9)

In Section 4.11, the By-Laws currently provide that the approval of the WCI, Inc. budget or any substantial change to the budget requires a 2/3 approval of the Board. However, approval of a contract in excess of \$50,000 requires the approval of 2/3 of the Board and “with no dissenting votes.” Similarly, in Section 5.9, the appointment of an Executive Director must be by at least a 2/3 vote of the Board and “with no dissenting votes.”

The change to Section 4.11 for Board consideration is to remove the requirement of “no dissenting votes” from the approval of contracts but adds this requirement to approval of WCI, Inc. budgets or any substantial change to the budget. In addition, the Board is asked to consider whether the requirement that the approval of the appointment of the Executive Director “with no dissenting votes” in Section 5.9 could also be removed.

In removing the “no dissenting vote” requirement from Section 4.11, it is recommended that a corresponding change be made to the Procurement Policy allowing for Participating Jurisdictions to provide comments on contract finalists and requiring Board approval of any contract where the finalist is ineligible to participate in public procurements in a Participating Jurisdiction. This change is reflected in the addition of a new section E at the top of page 2 of the Procurement Policy.

Executive Committee Membership

Question #5: Who shall serve on the Executive Committee and what are the rights of the other non-Executive Committee directors to participate in Executive Committee meetings? (Section 6.2)

Current By-Laws require that the Executive committee comprise the four Officers, at least one member from each jurisdiction, and other members designated by the Board. In recent years it has been the practice of the Board to appoint all Class A directors to also serve on the Executive Committee. Board members have expressed interest in having a more flexible

Executive Committee to be able to act on matters between regular Board meetings while ensuring compliance with the policies of the Corporation.

To address these concerns, Section 6.2 of the By-laws could be revised to remove the requirement that at least one Class A director from each Participating Jurisdiction serve on the Executive Committee, but would allow for the Board to add other Class A directors to the Executive Committee at the Board's discretion. The proposed provision also adds a quorum requirement for the Executive Committee of three of the four Officers needing to be present at an Executive Committee meeting.

BY-LAWS
OF
WESTERN CLIMATE INITIATIVE, INC.

(A Delaware Non-Profit Corporation)

REVISED: May 8, 2013
DRAFT REVISIONS: October 12, 2017

I certify that the attached is a full, true and correct copy of the By-Laws of Western Climate Initiative, Inc. adopted by all of the members of the Board of Directors as of the date hereof.

Secretary

Date

CONFIDENTIAL AND DELIBERATIVE DRAFT

REVISION HISTORY

Date	Revised By	Description
11/3/2011	Board of Directors	By-laws adopted
12/11/2012	Board of Directors	Amendments to the text to modify the naming of directors from the State of California, and to provide each Participating Jurisdiction with the opportunity to appoint two non-voting, "Class B" Directors to the Board (in addition to their two "Class A" (voting) Directors). Deleted Section 4.12 (Action without a Meeting).
5/8/2013	Board of Directors	Amendments to the text to clarify the purpose of WCI, Inc., and emphasize the intent to conduct the activities of the Corporation in a transparent and open manner.
10/12/17	Draft Revisions	For discussion purposes.

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BY-LAWS
OF
WESTERN CLIMATE INITIATIVE, INC.

(the “Corporation”)

ARTICLE I.

PURPOSES

The exclusive purposes for which the Corporation is formed are: (1) to provide technical and scientific advisory services to States of the United States and Provinces and Territories of Canada in the development and collaborative implementation of their respective greenhouse gas emissions trading programs; (2) to perform any other charitable or scientific function related to the reduction of greenhouse gas emissions or the increase in carbon sequestration; and (3) to perform any other charitable or scientific function related to emissions trading programs or other programs with the purpose of improving environmental quality.

The activities of the Corporation in performing these purposes may include the following:

(a) developing, implementing, and maintaining a system for tracking compliance instruments for emissions trading programs, including allowances and offset certificates, that conforms to the requirements of State and Provincial programs;

(b) developing, implementing, and maintaining capability to execute auctions of allowances that conforms to the requirements of State and Provincial programs;

(c) developing, implementing, and maintaining capability to conduct market monitoring of allowance auctions and allowance and offset certificate trading that conforms to the requirements of State and Provincial programs;

(d) developing, implementing, and maintaining capability to provide technical reviews and administrative processing of offset project documentation that conforms to the requirements of State and Provincial programs;

(e) conducting technical analyses to evaluate existing programs or possible modifications to programs; and

(f) developing, implementing, and maintaining the capability to conduct the business operations necessary to perform the above activities (a) through (e).

The activities of the Corporation shall be conducted in a transparent and open manner, commensurate with the prudent stewardship of its funds. Policies to ensure transparent and open operations shall be adopted from time to time by the Board.

The Corporation is a non-stock, non-profit corporation. The purposes for which the Corporation is organized are exclusively religious, charitable, scientific, literary and/or educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as the same may be amended (the “Code”), or the corresponding provision of any future United States Internal Revenue law.

ARTICLE II.

MEMBERS

The Corporation shall have no members. To the extent members are required by law, the Class A directors holding office at any time shall be the Corporation’s members at that time and shall be deemed to have done such acts as are necessary to elect the directors and otherwise fulfill responsibilities as members.

ARTICLE III.

PARTICIPATING JURISDICTIONS

The State of California and the Provinces of British Columbia, Ontario and Quebec shall each be deemed to be a “Participating Jurisdiction” for the purposes of these By-Laws so long as at least one Class A director from such state or province has been named or designated a Class A director of the Corporation in accordance with these By-Laws, has given notice of his or her acceptance of the position of director and continues to serve as such. The Board shall have the power, to be exercised through amendment of the By-Laws in the manner set forth in the By-Laws, to name additional Participating Jurisdictions and to remove Participating Jurisdictions previously named.

ARTICLE IV.

BOARD OF DIRECTORS

Section 4.1. Class A and Class B Directors. As used in these By-Laws, the term Class A director shall mean and refer to a director possessing all of the authority granted to directors of non-profit, non-stock corporations under applicable law. As used in these By-Laws, the term Class B director shall mean and refer to an individual designated as set forth in these By-Laws who is entitled to notice of and to attend and be heard at meetings of the Board of Directors (the “Board”), but who is not counted in determining if a quorum is present, is not entitled to vote on any matter and shall not act on behalf of the Corporation or the Board.

Section 4.2. Powers and Number. The Corporation shall be managed by the Board. The initial Board shall be as set forth in the Certificate of Incorporation and shall hold office until the Class A directors of each Participating Jurisdiction shall have qualified as provided in this Section 4.2. The Board shall consist of two Class A directors from each Participating Jurisdiction, as follows:

- (a) From the State of California, the Class A directors shall be two individuals, each of whom is an employee or officer of the state, named in accordance with the state's requirements. The Secretary for Environmental Protection shall notify the Chair in writing of the individuals so named.
- (b) From the Province of British Columbia, the Class A directors shall be (1) the Head, Climate Action Secretariat and (2) the Executive Director, Business Development and Chief Negotiator, Climate Action Secretariat, each of whom shall serve as an *ex officio* director of the Corporation.
- (c) From the Province of Quebec, the Class A directors shall be two employees of the province named by the Deputy Minister for Environment, who shall notify the Chair in writing of the individuals so named.
- (d) From the Province of Ontario, the Class A directors shall be two employees of the province named in accordance with the province's internal appointment procedure. The appointing authority of the province shall notify the Chair in writing of the individuals so named.

Each Class A director shall provide written notice to the Chair of his or her acceptance of the position of Class A director of the Corporation.

In addition to the Class A directors set forth above, each Participating Jurisdiction shall have the right to name up to two individuals, each of whom is an employee, officer or elected officer of the jurisdiction as Class B directors to serve in accordance with these By-Laws. The appointing authority of the jurisdiction shall notify the Chair in writing of the individuals so named. Each Class B director shall provide written notice to the Chair of his or her acceptance of the position of Class B director of the Corporation.

The Board shall have the power, to be exercised through amendment of the By-Laws in the manner set forth in the By-Laws, to authorize additional directorships or to remove directorships previously authorized.

Section 4.3. Board; Entire Board. As used in these By-Laws, the term "Board" refers to the Class A directors of the Corporation then in office, only, and the term "Entire Board" means the total number of Class A directors entitled to vote if there were no vacancies.

Section 4.4. Alternates. A director may at any time and from time to time designate an alternate who is an employee of the designating director's jurisdiction to act in his or her stead, by a writing signed by the director and delivered to the Chair of the Corporation. The director may revoke the designation at any time by a writing signed by the director and delivered to the Chair of the Corporation. An alternate director while acting as director is vested with all the rights and obligations of the director for whom the alternate is substituting as provided by law, the Certificate of Incorporation and these By-Laws, provided that he or she may not designate an alternate director for herself or himself.

Section 4.5. Term of Office. Each director shall hold office as provided herein or until his or her death, resignation or removal. The term of office of each director shall begin when the Chair of the Corporation receives written notice of such director's acceptance of the office and shall conclude when such director's successor has qualified as provided herein.

Section 4.6. Resignations. Any director may resign from office at any time by delivering a letter of resignation to the Chair of the Corporation, and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make such resignation effective.

Section 4.7. Replacement of Named Directors. A director named by a Participating Jurisdiction may be removed by that jurisdiction at any time and for any reason, and another director named in his or her place, upon written notice to the Chair of the Corporation and otherwise in accordance with Section 4.2 of this Article.

Section 4.8. Vacancies. In the event that a directorship becomes vacant for any reason and a successor is not otherwise provided for herein, the Participating Jurisdiction from which the director was named may name another employee of the Participating Jurisdiction as its director, as provided in Section 4.2 of this Article, by written notice to the Chair of the Corporation.

Section 4.9. Meetings. Meetings of the Board may be held at any place within or without the State of Delaware as the Board may from time to time fix, or as shall be specified in the notice or waivers of notice thereof. The annual meeting of the Board shall be held at such time as determined by the Board. Special meetings of the Board shall be held whenever called by a member of the Executive Committee or by any Class A director upon written demand of not less than one third of the ~~Entire~~ Board. In each case, the person or persons calling the special meeting shall fix the time and place of the meeting.

Section 4.10. Quorum and Voting. Unless a greater proportion is required by law, a majority of the ~~Entire~~ Board that includes at least one Class A director from each Participating Jurisdiction shall constitute a quorum for the transaction of business. However, if at any meeting a quorum cannot be achieved because of the absence of Class A directors from a Participating Jurisdiction, then such meeting may be adjourned to a later date (the "adjourned meeting"). The time, date and location of the adjourned meeting shall be as set forth on notice to all directors, such notice to conform to the requirements for a special meeting set forth in Section 4.14. If no Class A director from the Participating Jurisdiction unrepresented at the initial meeting attends the adjourned meeting, then no Class A director from that Participating Jurisdiction shall be necessary to constitute a quorum at the adjourned meeting. Except as otherwise provided by law or by these By-Laws, the vote of a majority of the ~~Entire~~ Board, if a quorum is present at such time, shall be an act of the Board.

Section 4.11. Budget; Certain Contracts. The vote of at least two-thirds of the ~~Entire~~ Board, if a quorum is present, with no dissenting votes shall be required to approve or substantially modify the Corporation's budget. To approve a contract to be entered into by the

Corporation in an amount in excess of \$250,000, the vote of at least two-thirds of the ~~Entire Board, with no dissenting votes,~~ shall be required.

Location of Principal Office. The vote of at least two-thirds of the Class A directors present at the time of the vote, if a quorum is present, shall be required to establish or to change the location of the Corporation's principal office.

Section 4.12. Meeting by Use of Telecommunications. Any Class A or Class B director or one or more members of any committee of the Board may participate in a meeting of the Board or committee by means of a conference telephone or similar telecommunications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 4.13. Notice of Meetings; Waiver. To the extent the Board has not predetermined meeting dates, notice of the time and place of each regular or special meeting of the Board shall be sent to each director, by mail, postage prepaid, or by confirmed telefax or e-mail, addressed to him or her at the address provided to the Secretary of the Corporation, or in default thereof, at his or her residence or usual place of business, not fewer than ten days, or in the case of a special meeting, not fewer than three days, in advance of the day on which the meeting is to be held. The notice of any special meeting shall state the purpose or purposes for which the meeting is called. Notice of a meeting need not be given to any director who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him or her.

Section 4.14. Compensation of Directors. Directors shall not receive any compensation for their services as directors. As authorized by the Board, a director may be reimbursed for his or her actual expenses incurred in furtherance of the Corporation's purposes.

Section 4.15. Electronic Transmissions. For all purposes in this Article IV, a writing includes an electronic transmission.

ARTICLE V.

OFFICERS, EMPLOYEES AND AGENTS

Section 5.1. Officers: Number and Qualification. The officers of the Corporation shall be a Chair, a Vice Chair, a Secretary, and a Treasurer and such other officers as the Board shall determine. Said officers shall be chosen from among the Class A directors. Any person may hold two offices except that (1) one person may not be both Chair and Secretary and (2) one person may not be both Chair and Vice Chair.

Section 5.2. Compensation of Officers. Officers shall not receive any compensation for their services as officers. As authorized by the Board, an officer may be reimbursed for his or her actual expenses incurred in furtherance of the Corporation's purposes.

Section 5.3. Election, Vacancies and Removal. The officers shall be elected by the vote of a majority of the ~~Entire~~ Board at its annual meeting, and any vacancy may be filled at any regular or special meeting and each officer shall serve until the next annual meeting, and until their successors are duly elected and qualified. No person shall hold one office for more than three consecutive terms, but such disqualification, and any subsequent such disqualification, shall expire after the passage of a year, and such individual may once again hold such office for three consecutive terms. Any officer elected by the Board may be removed, with or without cause, at any time, by a vote of a majority of the ~~Entire~~ Board.

Section 5.4. Chair: Powers and Duties. The Chair shall preside at meetings of the Board, shall have general supervision of the affairs of the Corporation and shall keep the Board fully informed about the activities of the Corporation.

Section 5.5. Vice Chair. The Vice Chair shall, in the absence or disability of the Chair, perform the duties and exercise the powers of the Chair, and shall have such titles and powers and perform such duties as may from time to time be prescribed by the Board of Directors, the Chair, or by the Executive Committee, which duties may include powers elsewhere assigned or delegated to other officers. The Board may by resolution create such additional Vice Chairs for such purposes as it determines to be appropriate.

Section 5.6. Secretary: Powers and Duties. The Secretary shall act as secretary of all meetings of the Board. He or she shall keep or cause to be kept minutes of Board meetings in appropriate record books and shall be responsible for giving and serving all notices of the Corporation. He or she shall be custodian of the corporate records and of the corporate seal and affix the latter when required. All corporate records and documents shall be located in the office of the Executive Director. The Secretary shall perform all the duties customarily incident to the office of secretary, subject to the control of the Board, and shall perform such other duties as shall from time to time be assigned by the Board.

Section 5.7. Treasurer: Powers and Duties. The Treasurer shall keep or cause to be kept full and accurate accounts of receipts and disbursements of the Corporation, and shall deposit or cause to be deposited all moneys and other valuable effects of the Corporation in the name and to the credit of the Corporation in such depositories as the Board may designate. At the annual meeting of the Board and whenever else required by the Board, he or she shall render a statement of the Corporation's accounts. He or she shall at all reasonable times exhibit the Corporation's books and accounts to any officer or director of the Corporation and shall perform all duties incident to the office of treasurer subject to the control of the Board.

Section 5.8. Officers: Miscellaneous Powers and Duties. Subject always to the specific directions of the Board, the Chair, Vice Chair, Secretary or Treasurer shall have power to execute all needed receipts for monies due and payable to the Corporation from any source, including bequests, and to execute and deliver, and to affix the seal of the Corporation to, any and all other contracts, agreements or instruments to which the Corporation shall be a party, including all releases and waivers of issuance and service of citation or other process in any Court. The Board may from time to time impose or confer upon any officer such additional duties and responsibilities as it sees fit.

Section 5.9. Executive Director. The Board shall appoint an Executive Director, by vote of at least two-thirds of the ~~Entire Board, with no dissenting votes,~~ if a quorum is present, to serve at the pleasure of the Board as the Chief Executive Officer of the Corporation, to manage the day-to-day operations of the Corporation and to perform such other duties as the Board may from time to time direct. The Executive Director shall receive such reasonable compensation as the Board may from time to time determine.

Section 5.10. Employees and Other Agents. The Board may appoint from time to time such employees and other agents as it shall deem necessary, each of whom shall hold office at the pleasure of the Board, and shall have such authority, including that of any officer, and perform such duties and shall receive such reasonable compensation as the Board may from time to time determine. The Board may by resolution delegate these appointment powers to the Chair or other officers of the Corporation or to the Executive Director.

ARTICLE VI.

COMMITTEES OF THE BOARD

Section 6.1. Committees in General. There shall be the following standing committees of the Board: an Executive Committee, a Finance Committee, and an Audit Committee. In addition, the Board may create or eliminate such other standing committees as it determines to be appropriate, each of which shall include two or more Class A directors and may include persons who are not Class A directors, and each of which shall have authority as determined by the Board. All standing committee members shall be appointed by the Board at the annual meeting to serve until the next annual meeting and until their successors are duly elected and qualified. The Board by resolution may create such special committees, which may include or be comprised of persons who are not Class A directors as the Board determines, which shall have and may exercise such powers as shall be conferred or authorized by the resolution creating them. The Board shall have power to change the membership of any special committee, to fill vacancies and to discharge or eliminate any such committee.

Section 6.2. Executive Committee. The Executive Committee shall consist of at least four directors: the Chair, who shall also serve as chairperson of the Executive Committee, all Vice Chairs, the Treasurer, and the Secretary. The Board ~~may shall~~ appoint additional Class A directors to the Executive Committee. ~~if necessary to ensure that the membership of the Executive Committee includes at least one Class A director from each Participating Jurisdiction. A majority of the Officers shall constitute a quorum for the transaction of business. The vote of a majority of the members of the Executive Committee present at a meeting, if a quorum is present at such time, shall be an act of the Executive Committee.~~ The Executive Committee shall have the authority to act for the Board between meetings of the Board except as to the following matters:

- (a) the filling of vacancies on the Board or on any standing committee or the creation or elimination of any standing committee;
- (b) the amendment or repeal of the By-Laws or the adoption of new By-Laws;

- (c) the amendment or repeal of any resolution of the Board; and
- (d) the fixing of compensation, if any, of the directors for serving on the Board or any committee.

Section 6.3. Finance Committee. The Finance Committee shall consist of at least two Class A directors, one of whom shall be the Treasurer, who shall serve as chairperson of such Committee. The Finance Committee shall advise the Treasurer and the Board as to the investments, budget, and general fiscal policy of the Corporation.

Section 6.4. Audit Committee. The Audit Committee shall consist of no fewer than two and no more than six independent non-compensated Class A directors. This Committee shall oversee the quality and integrity of the Corporation's accounting, auditing and reporting practices. The specific powers and responsibilities of the Audit Committee shall be specified in an Audit Committee Charter, which shall be adopted from time to time by the Board.

Section 6.5. Committee Meetings. Meetings of committees may be called at any time by the respective chairperson of each committee, or by the Chair. Reports of committee meetings shall be presented to the Board at its next regular meeting and each committee shall furnish copies thereof to the Secretary to be maintained with the records of the Corporation. Unless the Board shall otherwise provide, the Standing Committees shall have the power to establish their own rules of procedure and to determine the time and place of their meetings.

ARTICLE VII.

CHECKS, NOTES AND CONTRACTS

The Board is authorized to select such depositories as it shall deem proper for the funds of the Corporation and shall determine who shall be authorized on behalf of the Corporation to sign bills, notes, receipts, acceptances, endorsements, checks, releases, contracts and documents.

ARTICLE VIII.

BOOKS

Correct books of account of the activities and transactions of the Corporation, including a minute book, which shall contain a copy of the Certificate of Incorporation, a copy of these By-Laws, minutes of all meetings of the Board and reports of the meetings of any committee thereof, shall be kept at the office of the Corporation.

ARTICLE IX.

FISCAL YEAR

The fiscal year of the Corporation shall be the calendar year.

ARTICLE X.

INDEMNIFICATION AND INSURANCE

Section 10.1. Indemnification. The Corporation shall, to the fullest extent now or hereafter permitted by law, indemnify any person made, or threatened to be made, a party to any action or proceeding by reason of the fact that he or she was a director, officer, employee or agent of the Corporation, and any other person whom it shall have the power to indemnify, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees. However, the Corporation shall not indemnify a person if doing so would constitute an act giving rise to any tax or sanction under the Internal Revenue Code of 1986, as the same may be amended, or the regulations thereunder.

Section 10.2. Insurance. The Corporation shall have the power to purchase and maintain insurance to indemnify the Corporation for any obligation which it incurs as a result of its indemnification of directors, officers, employees or agents pursuant to Section 1 above, or to indemnify such persons in instances in which they may be indemnified pursuant to Section 1 above.

ARTICLE XI.

AMENDMENTS

Except as prohibited by the Certificate of Incorporation, these By-Laws may be amended by the affirmative vote of two-thirds of the ~~Entire~~ Board, or by the affirmative vote of the ~~Entire~~ Board if it consists of fewer than three (3) Class A directors, at any meeting of the Board at which a quorum is present, provided that notice of the proposed amendment has been included in the notice of meeting.

ARTICLE XII.

LIMITATION

The Corporation shall have no policy making, regulatory, or enforcement authority with respect to any existing or future program of any Participating Jurisdiction, and all such sovereign authority is reserved to each Participating Jurisdiction.

ARTICLE XIII.

REFERENCE TO CERTIFICATE OF INCORPORATION

Reference in these By-Laws to the Certificate of Incorporation shall include all amendments thereto or changes thereof unless specifically excepted.

**WESTERN CLIMATE INITIATIVE, INCORPORATED
(WCI, INC.)**

PROCUREMENT POLICY DRAFT

Adopted: January 12, 2012

Draft of: October 12, 2017

CONFIDENTIAL AND DELIBERATIVE DRAFT

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Western Climate Initiative, Incorporated (WCI, Inc.) Procurement Policy

I. Procurement

WCI, Inc. may procure goods and services to carry out the purposes for which the Corporation was formed. It is the policy of WCI, Inc. that procurement procedures be implemented to obtain best value for money expended for the Corporation, including providing the flexibility needed to obtain goods and services in a timely manner. Best value will be obtained by selecting vendors that offer the best combination of factors, such as (but not limited to) price, life-cycle costs, delivery capabilities, quality, past performance, financial stability, ease of ordering, and payment terms. Procurements must also comply with all requirements specified in funding agreements entered into by the Corporation.

To obtain the best value for the Corporation, the procurement process shall ensure open and effective opportunities for competition, including but not limited to the following:

- A. Conduct procurement in a transparent and fair manner.
- B. Provide equal access and timely and accurate procurement information to potential suppliers prior to and during the procurement process.
- C. Make procurement documents and related materials electronically and publically available in a timely manner, with sufficient time prior to a bid or proposal due date, taking into consideration the complexity of the procurement.
- D. Ensure all bid documents contain the necessary information for proposers to prepare a bid.
- E. Ensure that procurement is conducted in a geographically neutral manner.
- F. Provide flexibility to ensure goods and services are obtained in a timely manner.

To maintain the ability to obtain best value, the Corporation will provide a stable procurement environment that is attractive to potential suppliers, including but not limited to the following:

- A. Promote fiscal responsibility in contracting and procurement.
- B. Actively work with suppliers to obtain best value and appropriate standards of price competitiveness, quality, responsiveness, and innovation.

To further support obtaining best value and providing a stable procurement environment, the procurement evaluation process will include but is not limited to the following:

- A. Defining administrative bidding requirements that are clear and fair, and applying the requirements consistently to all bidders.
- B. Tailoring technical evaluation criteria and scoring methods to each procurement to obtain best value for the Corporation.

- C. Comprising the evaluation team with personnel that have the requisite expertise to evaluate the proposals effectively.
- D. Ensuring that the evaluation process is free of conflicts of interest.
- E. For all procurements over \$5,000, WCI, Inc. will notify the Participating Jurisdictions (as that term is used in the Bylaws) of the finalists for the procurement award and seek the Participating Jurisdictions' input on any experience or knowledge the Participating Jurisdictions may have with respect to the finalists. Board approval is required to enter into a contract with any finalist that is ineligible to participate in public procurements in a Participating Jurisdiction.

II. Definition of a Contract and Procurement

Contract

For the purposes of this document, a contract is defined as an agreement that creates an obligation, enforceable by law, to do or not to do a certain thing. A contract is a legally binding agreement that clearly defines goods and/or services to be obtained, including contract term (start and end date), a schedule, and specific terms and conditions.

Procurement

Procurement is defined as the process for making a purchase or entering into a contract, including contracts entered into through a competitive or non-competitive process. Competitive procurements include a solicitation and evaluation process. Invitation for Bid (IFB) and Request for Proposal (RFP) are types of competitive procurement solicitations.

III. Role of the WCI, Inc. Board of Directors (the Board) in Procurement

The policies for procuring goods and services are governed by the Board. Part of the Board's role is to provide monitoring and oversight for all contracting activities. Responsibilities include:

- A. Ensure that necessary funds are identified and secured to fulfill the Corporations obligation prior to initiating procurements or entering into contracts, for example, based on approved WCI, Inc. budgets, through commitments from jurisdictions, or other expectations of funding and expenditures.
- B. Ensure procurement policies and practices are adhered to and continuously improved.
- C. Monitor all monetary activities and ensure that funds are appropriately expended.
- D. Prepare a procurement manual to establish standard operating procedures for procurement and contract management.

IV. Authority and Approval

The Board has final authority for all procurement and contracts.

Competitive Procurements

Approval Threshold Goods and Services Contracts	Authority to Approve Goods and Services Contracts	Authority to Sign Contracts
All contracts and amendments up to and including \$5,000	Delegated to WCI, Inc. Executive Director	Delegated to WCI, Inc. Executive Director
All contracts and amendments greater than \$5,000 and up to and including \$50,000	Delegated to WCI, Inc. Executive Director or a corporate officer	Delegated to WCI, Inc. Executive Director or a corporate officer
All contracts and amendments greater than \$50,000 <u>and up to and including \$250,000</u>	<u>Approval of Executive Committee or Board of Directors</u>	Delegated to WCI, Inc. Executive Director or a corporate officer
<u>All contracts and amendments greater than \$250,000</u>	<u>Approval of 2/3 of the Board of Directors with no dissenting votes</u>	<u>Delegated to WCI, Inc. Executive Director or a corporate officer</u>
All thresholds are in U.S. dollars.		

Non-Competitive Procurements

Contracts for goods or services that result from non-competitive procurements require Board approval and signature by the Executive Director or a corporate officer.

V. Legal Counsel Review

Consistent with the goals of obtaining best value for the Corporation and providing a stable procurement environment, the Corporation will avail itself of appropriate and effective risk management strategies related to procurement and contracts. Procurements, including solicitations and contracts, will be reviewed by the Corporation's legal counsel, unless otherwise directed by the Board.

VI. The Use of Non-Competitive Procurement Processes

Consistent with the goal of obtaining best value, competitive procurement processes will be used to the maximum extent practicable. In circumstances under which non-competitive procurement processes may be preferred, Board approval to use a procurement process that is not fully open and competitive will rely on a justification specific to the procurement.

The following are allowable exceptions that, with proper justification and Board approval, may warrant the use of a procurement process that is not fully open and competitive. A non-competitive procurement should not be conducted unless it fits within one of these allowable exemptions.

- A. Contracts for goods and services under \$5,000.
- B. Contracts for services provided by contractors that have been selected by a federal, state, city, county, provincial, or other regulatory entity, usually through a competitive process.
- C. Agreements where only one supplier is able to meet the requirements of a procurement to ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licenses, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representatives. Compatibility with existing products may not be allowed if the reason for compatibility is the result of one or more previous non-competitive procurements.
- D. Contracts for which only per diem and travel expenses are paid and do not exceed \$5,000.
- E. Contracts solely for the purpose of obtaining expert witnesses for litigation.
- F. Contracts for legal defense, legal advice, or legal services.
- G. Contracts for conference or meeting facilities, including room accommodations for conference attendees, not to exceed \$50,000.

- H. Proprietary subscriptions, proprietary publications and/or technical manuals regardless of media format. This includes access to pre-existing proprietary research data through a non-IT services contract.
- I. Emergency contracts which are necessary for the immediate preservation of life or property.
- J. Contract amendments:
 - 1. To extend the original term for services.
 - 2. To add additional funding to a contract.
 - 3. To make minor changes to the original scope of the contract.
- K. Other conditions as determined by the Board.