

Minutes of Annual Meeting of the Board of Directors

FRIDAY, SEPTEMBER 26, 2014 - 2:30 PM EDT / 11:30 AM PDT

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held its annual meeting on September 26, 2014, in Montréal, Québec. The Board elected officers, appointed committee members, and discussed potential revisions to the Funds Management Policy. The Board then convened an executive (closed) session to discuss procurement and personnel matters. The meeting was called to order by the Chair, Matthew Rodriguez, at 11:33 a.m. Pacific Time/2:33 p.m. Eastern Time. Jennifer Major kept the minutes of the meeting. Consecutive interpretation between French and English was provided during the open session. Three members of the public attended the meeting in person, and three attended by phone.

Attendance

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

- Matthew Rodriguez (Chair)
- Geneviève Moisan (Vice Chair)
- Guylaine Bouchard
- Jean-Yves Benoit
- Mary Nichols (Treasurer, by phone)
- Tim Lesiuk (Secretary, by phone)
- Alain Houde (non-voting) by phone

Also present were:

- Patrick Cummins, WCI, Inc. Executive Director
- Michael Gibbs and Mark Wenzel, State of California (by phone)
- Dave Tiffin, Province of Ontario (by phone)
- Lee Alter, WCI, Inc. Project Manager (by phone)
- Jennifer Major, Ross Strategic (by phone)
- Linda Corriveau, Lionbridge (translator)

Mr. Rodriguez welcomed Glen Murray, the Minister of the Environment and Climate Change for the Province of Ontario. Ms. Moisan commented that the next Board meeting would offer an excellent opportunity to share the results of the first joint auction between California and Québec and also to share ideas to further promote collaboration and new partnerships among cap and trade programs. She then thanked the members of the public and Minister Murray for their participation in today’s discussion.

I. Approve July 9, 2014 Board Meeting Minutes

Ms. Moisan noted that there were a few minor corrections to make to the French translation of the minutes and that she and Mr. Benoit would send their comments to Mr. Cummins in an email. Mr. Rodriguez recommended a vote take place on the English version and that the French version be posted after the corrections are made. Ms. Nichols made a motion to approve the English version of the July 9, 2014 minutes. The motion was seconded by Ms. Moisan and unanimously approved by the Board.

II. Elect Officers and Appoint Standing Committee Members for 2015

Officers

As provided for in the By-Laws, the Board elects officers and appoints members to standing committees annually. All of the current officers indicated their interest and willingness to retain their current positions. Pursuant to the by-laws, Tim Lesiuk, who has served three terms as Secretary, must step down. After one year he is eligible to serve in the same position again. He will, however, retain a position on the Executive Committee as the by-laws require one representative from each participating jurisdiction. Mr. Cummins noted that Jean-Yves Benoit is the only other Board member available to assume the position of Secretary, and Mr. Benoit said he was willing to serve for 2015. Mr. Rodriquez thanked Mr. Lesiuk for his excellent service as WCI, Inc. Secretary.

Mr. Benoit made a motion on the following resolution, which was seconded by Ms. Nichols and unanimously approved by the Board:

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: Matthew Rodriquez
- Vice Chair: Geneviève Moisan
- Treasurer: Mary Nichols
- Secretary: Jean-Yves Benoit

Committees

a. Executive Committee

The membership of the Executive Committee is established in the By-Laws and consists of the four officers and at least one Class A Director from each Participating Jurisdiction. The Chair of the Board serves as chairperson of the Executive Committee. The Board may also appoint additional Directors to standing committees.

Ms. Moisan made a motion for the officers just elected and Tim Lesiuk to serve as members of the Executive Committee. The motion was seconded by Mr. Lesiuk and unanimously approved by the Board.

RESOLVED that the Executive Committee shall be comprised of the four officers and Tim Lesiuk.

b. Audit Committee

Mr. Cummins reviewed the purpose of the Audit Committee and its powers under the By-Laws. The Audit Committee is responsible for addressing any issues affecting the quality and integrity of the Corporation's accounting, auditing and reporting practices. Specific requirements for the Audit Committee are outlined in the Audit Committee Charter. Current members are Mr. Rodriquez, Ms. Moisan, and Mr. Lesiuk. All of the current members indicated their interest and willingness to retain their current positions. Upon a motion by Mr. Benoit, seconded by Ms. Nichols, the Board unanimously approved the membership of the Audit Committee for 2015:

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

c. Finance Committee

Mr. Cummins reviewed the purpose of the Finance Committee and its powers under the By-Laws. The Finance Committee advises the Treasurer and the Board as to the funds management, budget, tax filings, and general fiscal policy of the Corporation. The Treasurer, currently Mary Nichols, serves as chair of the Finance Committee. Other current members are Mr. Benoit and assembly member Nancy Skinner of California, who is a nonvoting member. Mr. Cummins, to Mr. Lesiuk, stated that if the province of British Columbia was interested in nominating another member to serve on this committee to replace James Mack who resigned earlier this year, he was welcome to; although according to the By-Laws only two Directors are required to serve. Ms. Skinner was not in attendance so Mr. Cummins suggested the Board check with her on her continued interest but appoint her provisionally in the meantime. Upon a motion made by Ms. Moisan and seconded by Mr. Rodriguez the Board unanimously approved the membership of the Finance Committee for 2015:

***RESOLVED** that the Finance Committee will be chaired by the Treasurer and shall comprise the following Directors: Jean-Yves Benoit, Mary Nichols, and Nancy Skinner.*

III. Corporate Policies

a. Ethical Guidelines and Conflict of Interest Policy

For the last three years WCI has maintained an Ethical Guidelines and Conflict of Interest policy. This document was reviewed and adjusted in 2013 with items by the WCI, Inc. corporate counsel, Cliff Case. Mr. Cummins explained that there have been no further changes to the policy since 2013. Nevertheless, the Directors are required to sign this document annually. In doing so they acknowledge their understanding of the duties and obligations, including fiduciary obligations of the Directors, as described in the document. The document is publicly available on the WCI, Inc. website for anyone who wishes to review it. There is no recommended action for the Board required at this time; it is simply a reminder of the renewal requirement.

IV. 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. Ms. Nichols, Treasurer, transmitted her evaluation in writing to the Board in advance of the meeting; this was also posted to the WCI, Inc. website. Ms. Nichols presented her evaluation, which found that WCI, Inc. is in compliance with its Funds Management Policy. Directors thanked Ms. Nichols for her evaluation.

There were no questions or comments from the Board or public on the English version of the report, but because the French version of the report was received shortly before the meeting, members from Québec were asked to review the translation and suggest any revisions that may be necessary.

Michael Gibbs pointed out an item for clarification on page 6 of the report. The recommendation as stated is that the Board should direct the Finance Committee to review the asset allocation levels stipulated in the Funds Management Policy. The recommendation is to reconsider the requirement for 25% of assets to be held as cash. The Executive Director has established a funds management system that provides the ability to manage the cash more efficiently while complying with the requirements that all funds be FDIC insured or held as US Treasury bills. Ms. Nichols agreed that the current policy is

probably overly restrictive and creates additional and unnecessary work. The Committee should study the issue and come back with a revised set of requirements for the Board's review.

Chairman Rodriguez directed the Finance Committee to review options to modify the current policy as it relates to the percentage of assets held as cash and come back to the Board with their recommendations. On behalf of the Committee Ms. Nichols accepted the assignment.

b. Financial Status Report and Budget Review

Mr. Cummins presented the latest Financial Status Report, including 2014 revenue and expenses to date, projected cash flow for the remainder of 2014 and calendar year 2015, and ongoing work to refine 2015 and 2016 projected expenses. Mr. Cummins referred to the cash flow and financial status reports, which are publicly available on the WCI, Inc. website.

Mr. Cummins reviewed the first document, the Financial Status Report, which compares expenses of the year to date through the month of August to the annual budget, on an accrual basis. The report also provides the projected expenses to the end of 2014 and includes the budget for 2015 as adopted. WCI, Inc. is currently projected at year end to be about 15% below budget for 2014. This is the result of contract services coming in under budget, the delays in hiring additional staff, and the fact that operating expenses have been kept well under budget. Mr. Cummins invited questions about the 2014 budget. There were no questions or comments.

At the last meeting, the Board directed that prior to the end of 2014 a review of the 2015 budget as adopted and projected expenses for 2016 be conducted and presented. That review is underway but further direction from the Board is needed on personnel and procurement matters before adjustments for 2016 can be prepared. Personnel and procurement matters will be discussed in the executive (closed) session following the public session. Proposed 2015 adjustments and projected expenses in the 2016 budget will be discussed at the next Board meeting, which will take place before the end of this year. The 20th annual United Nations COP (Conference of the Parties) climate conference will be held during the first two weeks of December 2014, therefore Ms. Nichols suggested that the next WCI, Inc. Board meeting take place at the end of November or first week of December to minimize schedule conflicts.

Mr. Cummins next presented the second document, the cash flow projection. It shows WCI, Inc. is in good shape financially and no problems are anticipated going into 2015. Cash flow represents the cash on hand as well as the expected payments from both California and Québec according to the approved funding agreements. Mr. Cummins noted that payments have been received on schedule from both entities through 2014. There are a few notes on the projections Mr. Cummins pointed out, indicating the final payment from California for 2015 will occur in first quarter of 2016; and the total expenses include all of the corporation's expenses each month, and as just discussed, there may be additional expenses for procurement in 2015 that will likely have some impact on the cash flow.

Mr. Rodriguez thanked Mr. Cummins for the updates.

V. Public Comment

A representative from Gaz Métro, the main distributor of natural gas in Québec, welcomed the Directors to Montréal and thanked them for all the work that has been done by WCI, Inc. since its inception. He commented that it's not ideal to have a market solely between two entities and would like to see other entities join the market. Government representatives have also expressed this point of view. His question to the Board was, what can WCI, Inc. implement as a plan to bring more partners on board that would expand the market?

Mr. Rodriguez responded that in addition to California and Québec, British Columbia is a participating jurisdiction in WCI, Inc. and the by-laws provide that Ontario may become a participating jurisdiction in WCI, Inc. Also, the By-Laws can be amended to allow other jurisdictions to join WCI, Inc. Ms. Nichols added that WCI, Inc. is an entity created for the purpose of operating cap and trade programs and, as such, it has limited capacity for conducting outreach to others; this group is not empowered to increase the size of the market, but interested jurisdictions are empowered to begin working together.

The Gaz Métro representative commented that since January 2013, there are hundreds of corporations subject to cap and trade rules, and by 2015 more companies will be affected. What role will WCI, Inc. play in helping to ensure various entities are informed of these developments? Mr. Rodriguez stated that California and Québec are explaining the requirements of their cap and trade programs to the affected entities. Ms. Moisan added that it is the responsibility of each jurisdiction to keep its affected entities informed.

The Gaz Métro representative made a final comment to the Board which was to ask what they thought of the purported imbalance of supply and demand between California and Québec and potential displacement of capital towards California. Ms. Moisan reminded participants that the program allows for economies of different sizes and goals to develop the system that works best for them to meet greenhouse gas reduction requirements. Mr. Rodriguez added that there is a lot of information available to the public on the California Air Resources Board website that describes these requirements in detail.

At 1:05 p.m. Pacific/4:05 p.m. Eastern the Board adjourned the public portion of the meeting.

VI. Executive (Closed) Session to Discuss Procurement and Personnel Matters

At 1:15 p.m. Pacific/4:15 p.m. Eastern the Board reconvened an executive (closed) session to discuss procurement and personnel matters.

There being no other business and upon unanimous consent, the executive session and the Board meeting was adjourned at 2:03 p.m. Pacific/5:03 p.m. Eastern.

Respectfully submitted,

Jean-Yves Benoit, Secretary