

Minutes of the Meeting of the Board of Directors

June 13, 2012

The Western Climate Initiative, Inc. Board of Directors (the "Board") met on June 13, 2012, at the Citizen Hotel, 926 J Street, Sacramento, CA.

The meeting was called to order by the Chair, James Goldstene, at approximately 1:15 p.m. Pacific Time. Lydia Dobrovolny kept the minutes of the meeting.

Attendance

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

- James Goldstene (Chair)
- Robert Noel de Tilly (Vice Chair, by phone) Jean-Yves Benoit (Treasurer)
- Matthew Rodriguez
- Jessica Verhagen (alternate for James Mack, by phone)

Also present were:

- Edie Chang, Ashley Conrad-Saydah, Richard Corey, Michael Gibbs, Holly Stout, and Mark Wenzel, State of California
- Tiffany Roberts, California Legislative Analyst's Office
- Henry Stern, Policy Advisor to Senator Fran Pavley, California
- Heather Pearson, Province of Ontario
- Danielle Jmieff, Province of British Columbia
- Anita Burke, WCI, Inc. Executive Director
- Patrick Cummins, Western Climate Initiative Project Manager
- Lydia Dobrovolny, Ross Strategic

Director Update

Robert Noel de Tilly announced that he will be retiring in August; the government of Quebec will assign his replacement to the WCI, Inc. Board. Directors thanked Mr. Noel de Tilly for his years of leadership with WCI and his service on the Board.

1. Bank of the West Presentation on Cash Management Options

Thomas White, Vice President and Branch Manager for Bank of the West, joined the meeting to provide an overview for Directors on the various cash management services and products available to WCI, Inc. Directors asked for additional information about the US and Canadian Dollar (CAD) accounts. Mr. White clarified that Bank of the West's CAD accounts allow for wire transfers in Canadian currency, but do not offer checkbooks.

Bank of the West can issue drafts upon client request and mail the check to the client or directly to a beneficiary; this solution will work if WCI, Inc. does not need to utilize checks frequently. If WCI, Inc. requires a checkbook and other services (CAD credit cards, lock box, etc) for the CAD account, Bank of the West has a tri party agreement with Bank of Montreal. Bank of the West is able to open a full service CAD account with Bank of Montreal; these accounts average a cost of \$200 to \$300 per month. WCI, Inc. can maintain separate accounts and balances in accounts in the US and Canada, with one currency in each account, but the US balance will be used to qualify WCI, Inc. for cash management services.

Directors noted that in addition to providing the banking services WCI, Inc. requires, Bank of the West is accountable for the environmental impacts of its activities, and is identified by the State of California as a community bank, which enables them to target lending for economic development in local communities.

Following the meeting, Anita Burke worked with Directors to obtain the necessary signatures and approvals to enable opening an account with Bank of the West.

Mr. Goldstene stepped out of the meeting at 1:50 pm, and asked Mr. Rodriguez to chair the meeting in his absence.

2. Approve Board and Executive Committee Meeting Minutes

Mr. Benoit made a motion to approve the package of Board minutes (February 22 call, April 10 in person meeting, April 27, April 30 - May 1, and May 8 calls). Mr. Rodriguez seconded the motion, and Directors unanimously approved the minutes, with an abstention from Mr. Rodriguez on the April 27 minutes since he was not present on the call.

Mr. Benoit made a motion to approve the package of Executive Committee minutes (November 8, 2011 through March 20, 2012). Mr. Rodriguez seconded the motion, and Directors unanimously approved the minutes, with an abstention from Mr. Benoit on the November 9, 2011, and March 20, 2012, minutes, since he was not present on these calls.

3. Tax Training and Review: US Federal Tax Form 990

Anita Burke briefed the Board on the content of US Federal Tax Form 990 and the related schedules. Form 990 is an annual reporting return that certain tax-exempt organizations must file with the US IRS. The form provides information on WCI, Inc.'s mission, programs, and finances. Ms. Burke has worked with an accountant to prepare drafts of Form 990 for the 2011 reporting year, and the Finance Committee has conducted a line-by-line review of these drafts. A few items are still being researched, including the definition and calculation of services or facilities furnished by a governmental unit to the organization without charge, and the application of the term "related organizations"; in addition, a financial statement to accompany the filing remains to be completed. Once done, the Finance Committee will forward the 2011 forms to the Audit Committee, which is responsible for arranging an independent auditor to review the forms before the filing is submitted. Once Committee reviews are complete, the forms will be presented to the Board for approval, and then submitted to the US IRS. The deadline for submission is August 15, 2012. A copy of the forms will also be sent to Delaware, the legal domicile of WCI, Inc., and filed along with State Tax Form 109 in California.

At 2:10 pm, Mr. Goldstene rejoined the meeting, and Mr. Noel de Tilly and Ms. Jmieff left the meeting.

4. Status Update and Next Steps for Entering into Cap-and-Trade Service Contracts

Anita Burke and Michael Gibbs briefed the Board on the status of WCI, Inc. contracting for cap-and-trade services. On May 8, 2012, the Board approved a contract with SRA International, Inc. (SRA), to provide interim hosting of the Compliance Instrument Tracking System Services (CITSS). WCI, Inc. will need to retain additional services for the CITSS, including application development, application support, hosting, and help desk services. WCI, Inc. also needs to contract for the required services of market monitoring, financial services, and auction services. These services are currently retained by Air Resources Board for the state of California, but need to be augmented in terms of scope and funding to include Quebec and enable effective linking between the California and Quebec programs.

Mr. Goldstene invited a motion to convene an executive session. Upon a motion by Mr. Rodriguez and seconded by Mr. Benoit, the Board convened an executive session at 2:25 pm. The executive session adjourned at 3:50 pm.

5. Direction of Becoming Operational as an Employer

Anita Burke provided a verbal briefing to the Board on the staffing plan that she is developing. Ms. Burke anticipates that over the next 6-8 months, WCI, Inc. will need to either hire two employees or obtain services equivalent to one half-time technology project manager, and one half-time business manager. Ms. Burke has provided draft job descriptions for each position to Mr. Benoit and Mr. Gibbs for feedback, and will prepare a written recommendation describing the proposed positions, responsibilities, and process for hiring, for Board review and direction.

Ms. Burke also provided a brief update on obtaining office space. After looking at 35 locations, Ms. Burke has identified four options for final Board selection. Mr. Goldstene suggested that Ms. Burke review the details with Mr. Benoit and Ms. Pearson following the meeting.

6. Finance Committee Report

The Finance Committee has prepared a Funds Management Policy to establish requirements for the management of WCI, Inc. funds so as to support the purposes for which WCI, Inc. was created. The objectives of the policy are to ensure that WCI, Inc. funds are managed in a safe, prudent and effective manner. The policy sets a standard of care and requirements for asset allocation that complies with all applicable laws and requirements, supports the cash flow requirements of WCI, Inc., preserves principal to the maximum extent possible, and achieves a competitive rate of return. The policy also defines prohibited activities.

Directors discussed the policy and asked whether the policy has been reviewed for consistency with existing government practice; Mr. Benoit noted that he has reviewed the policy with Quebec's treasury officials.

The Board agreed that the policy appears responsible and directed staff in California to review the policy with the State Treasurer's Office to determine whether there are any additional recommendations that might strengthen the policy. The Board also agreed that the language in the second paragraph on the first page should

be amended to clarify that the corporation does not expect to have any investments besides program-related assets.

Mr. Goldstene made a motion to approve the Funds Management Policy, with direction to California staff to seek review and comment from the State Treasurer's Office and to review the language in the second paragraph, first page, to determine if additional clarifications are needed. If further adjustments to the policy are suggested as a result of this additional research, the Board can amend the policy at a future date. Mr. Benoit seconded the motion, and the Board unanimously approved the policy.

7. Audit Committee Report Update

Anita Burke gave a brief update on the work underway by the Audit Committee to procure an independent auditor for WCI, Inc. Staff have researched criteria for audit firms and identified four firms in the Sacramento area from which WCI, Inc. might potentially solicit bids for services. Staff have also obtained a toolkit for non-profit organizations that includes sample forms that WCI, Inc. might be able to use to request qualifications and evaluating proposals.

8. Board Meeting Schedule and Next Steps

Directors discussed the date and location for the next face-to-face Board meeting and agreed to target September 11-12, 2012, for a meeting in Quebec City, Canada. The Executive Committee will continue to meet bi-weekly, with the next meeting scheduled for Tuesday, June 19, 2012.

Adjournment

There being no other business to come before the Board and upon unanimous consent, the meeting adjourned at 4:30 p.m. Pacific Time.

Respectfully submitted,



Tim Lesiuk, Secretary