

Minutes of the Board of Directors

Tuesday, May 14, 2019

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held a meeting on May 14, 2019, in Sacramento, California, 980 9th Street, 2nd Floor, Conference Room A-B. The Board approved the November 14, 2018 Board meeting minutes, the 2018 Audit Report and Audited Year End Financial Statements, the 2018 Federal, State and Provincial tax filings, the Compensation Philosophy and Committee Charter, the 2018 Annual Report and proposed amendments to the Employee Handbooks, the Funds Management Policy and the Amendment to the Nova Scotia funding agreement. The Board then convened an executive (closed) session to discuss procurement, personnel and jurisdiction matters.

The meeting was called to order by the Chair, Éric Thérour, at approximately 1:12 p.m. Pacific Time / 4:12 p.m. Eastern Time. Eric Turcotte kept the minutes of the meeting. The meeting was conducted in English only, since no members of the public were in attendance for this meeting.

Attendance

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

- Éric Thérour (Chair)
- Mary Nichols (Vice Chair)
- Jean-Yves Benoit (Treasurer)
- Jason Hollett (Secretary)
- Mark Wenzel (on behalf of Jared Blumenfeld)
- Lilani Kumaranayake

Also present were:

- Alexa Kleysteuber, State of California
- Erin Rode, State of California
- Rajinder Sahota, State of California
- France Delisle, Province of Québec
- Brittany White, Province of Nova Scotia
- Greg Tamblyn, WCI, Inc.
- Eric Turcotte, WCI, Inc.
- Umesh Ghodke, WCI, Inc.
- Chris Delfino, Delfino Madden
- Jennifer Hall, Crowe LLP
- Bill Simi, CPA Corporation
- Mike Giotto, CPA Corporation
- Jean Bernard, Mallette
- Bryan Lopuck, Lionbridge (Translator)

Mr. Théroux opened the meeting and established a quorum. Mr. Théroux asked if any Board members had any changes or additions to the agenda. Hearing none, the Board moved to the first agenda item.

I. Approve November 14, 2018 Board Meeting Minutes

The November 14, 2018 minutes were presented in both English and French. Consistent with manner in which meeting minutes have been maintained for previous meetings, Mr. Théroux requested that members of the public be referenced in the body of the minutes rather than listed individually by name in the summary. Mr. Théroux asked if Board members had any additional changes or additions. Hearing none, Mr. Théroux asked for a motion to approve the English version of the minutes with the modification as noted. Ms. Kumaranayake made a motion to approve the English version of the November 14, 2018 minutes. The motion was seconded by Ms. Nichols and unanimously approved by the Board.

Mr. Théroux then asked for a motion to approve the French version of the minutes with the same requested change made to the English version of the minutes. The motion from Mr. Benoit was seconded by Mr. Wenzel and unanimously approved by the Board.

II. 2018 Audit Report and Audited Year End Financial Statements

Ms. Hall of Crowe LLP provided a brief overview of the audit process. Ms. Hall stated that the audit report and audited financial statements were reviewed and discussed with the Audit Committee prior to the Board meeting. The auditor's opinion indicated that there were no findings, no corrected or uncorrected misstatements and that the financial statements have been presented fairly in all respects.

Mr. Tamblyn asked if there were any questions. There were no questions from the Board.

III. 2018 Federal, State and Provincial Tax Returns for Board Approval

Mr. Simi of CPA Corporation (CPA) provided a brief overview of the US Federal Form 990, and the California Forms 199 and RRF-1, and asked if the Board had any questions. Mr. Tamblyn noted that the forms were reviewed and discussed with Crowe LLP and the Audit Committee prior to the meeting. There were no questions from the Board.

Mr. Bernard of Mallette provided a brief overview of the Canadian Federal Forms T1044 and T2 and the Quebec Provincial Form CO-17.SP. The forms, completed by Mallette, were also reviewed and discussed with Crowe LLP and the Audit Committee prior to the meeting.

Mr. Benoit asked Mr. Bernard to clarify why some numbers used in the US and Canadian tax forms are different. Mr. Bernard indicated that the numbers in the Canadian tax forms represented the activities in Canada only. Mr. Benoit also ask for a clarification about a \$34 charge included in the Quebec Provincial Form. Mr. Bernard indicated that this charge was for WCI, Inc. annual registration fees to the Registraire des entreprises du Québec.

Mr. Wenzel asked Mr. Bernard to clarify why different numbers were used in the US and Canadian tax forms to reflect the exchange rate gain or loss. Mr. Bernard explained Mallette's methodology to convert USD amounts to CAD from the trial balance provided by CPA, which includes three different exchange rates – (i) the rate used in the sales tax returns for the Canadian income, (ii) the annual average rate for other income and expenses and (iii) the rate on December 31, 2018 for

the assets and liabilities – and related adjustments (\$20,298.34) to make sure that the credits of the trial balance in CAD matches the debits. Per Mr. Wenzel follow-up question, Mr. Bernard also explained the calculation for the \$724 gain of change on line 518 of the Quebec tax form.

Mr. Thérout asked if there were additional questions from the Board. Hearing none, Mr. Thérout asked for a motion to approve the US federal and state tax forms and the Canadian federal and provincial tax forms as they were presented and direct the Executive Director to submit them. Ms. Kumaranayake made the motion to approve the US federal and state tax forms and direct the Executive Director to file the forms. The motion was seconded by Mr. Hollett and unanimously approved by the Board. Mr. Benoit made the motion for the approval and filing of the Canadian federal and provincial tax forms. The motion was also seconded by Mr. Hollett and unanimously approved by the Board.

IV. Consideration of Amendments to the WCI, Inc. Employee Handbooks

Mr. Tamblyn provided an overview of the WCI, Inc. employee handbooks and indicated that due to recent changes to the labor laws in California and Québec, changes to the WCI, Inc. employee handbooks are required. The proposed changes to the handbooks were reviewed by WCI, Inc. legal counsel in California and Québec.

In addition, because the handbooks are operational document and should be updated as laws change, Mr. Tamblyn asked that the Board consider delegating the authority to maintain the Handbooks to the Executive Director. Mr. Tamblyn also indicated that the Executive Director would report back to the Board when changes are made.

Mr. Tamblyn asked if the Board had any question.

Ms. Kumaranayake asked for clarification about the differences in the language of the US and Québec handbooks regarding the use of medicinal marijuana in the workplace. Mr. Delfino indicated that the differences in the handbooks are likely due to the different laws in effect in California and Québec.

Mr. Wenzel requested minor edits to the US employee handbook to ensure the consistency of the language throughout the document. Mr. Tamblyn noted the requested changes.

Mr. Benoit commented that while he is comfortable with the edits applied in the English version of the Québec Employee handbook, the word “médicales” was omitted on page 29 in the French version of the handbook. Mr. Thérout suggested edits to the third paragraph on p. 29, which should read “et ce, à des fins médicales uniquement”.

With the inclusion of the edits requested by Mr. Wenzel and Mr. Benoit and upon a motion by Mr. Benoit and seconded by Ms. Nichols, the Board unanimously approved the following resolution:

RESOLVED that the revised U.S. Employee Handbook and the Québec Employee Handbook as presented to the Board of Directors at its meeting on May 14, 2019, are hereby approved and adopted for use by WCI, Inc. effective on the same date.

RESOLVED that the Executive Director shall conduct an annual review of the U.S. Employee Handbook and the Québec Employee Handbook, in consultation with such legal counsel and other professional advisors as the Executive Director may deem necessary.

RESOLVED that the Executive Director of WCI, Inc. is authorized by the Board of Directors to maintain and update the U.S. Employee Handbook and Québec Employee Handbook as necessary to ensure compliance with applicable laws of the Jurisdictions in which WCI, Inc. employees work, and shall notify the Board of Directors of any such changes made to the handbooks.

V. Consideration of Amendments to the Funds Management Policy

Mr. Théroux asked Mr. Benoit to summarize the recommended changes to the Funds Management Policy. Mr. Benoit indicated that the Funds Management Policy was created to ensure a high standard of care and sound management of the Corporation funds. Over the past several years, the Finance Committee has discovered that it was not possible to be fully in compliance with the requirements of the Policy. Mr. Benoit noted that when WCI, Inc. receives a Jurisdiction contribution or pays sales tax in Canada, the Corporation is out of compliance with the Policy.

Upon review of the Policy and other available options, the Finance Committee recommended that the Policy be amended to allow the Corporation to hold cash in interest and non-interest-bearing accounts above the amounts insured by the Federal Deposit Insurance Corporation (FDIC), the Canadian Deposit Insurance Corporation (CDIC) or the Autorité des marchés financiers (AMF) to meet the cashflow requirements of the Corporation, allow for funds to clear a temporary hold by a Custodian or to support administrative efficiency.

While in agreement with the proposed changes, Ms. Nichols requested that Table 1. read “Consistent with the Objectives of the Policy, funds shall be insured to the maximum extent possible.” Mr. Benoit agreed with the change proposed by Ms. Nichols and requested that Mr. Tamblyn confirm the changes with Ms. Nichols and then with the Board Chair, before informing the Finance Committee of the changes to the Policy.

Mr. Benoit asked for a motion to approve the amendment to the Funds Management Policy, with the modifications noted by Ms. Nichols. The motion made by Ms. Nichols was seconded by Ms. Kumaranayake and unanimously approved by the Board.

VI. Consideration of Amendments to the Nova Scotia funding agreement with WCI, Inc.

Mr. Tamblyn provided a brief overview of the need to amend the agreement to increase the level of funding to enable WCI, Inc. to provide auction services to Nova Scotia starting in 2020.

In 2018, WCI, Inc. entered into a funding agreement with Nova Scotia, which included access to the tracking system and market monitoring services. The Nova Scotia program was successfully launched in January of this year. Recently, Nova Scotia requested access to additional services provided by WCI, Inc., including auctions. In order to onboard Nova Scotia onto the Auction platform, the funding agreement must be amended to expand the scope of work and add additional funding required to make technical changes to the auction platform. It does not change the timing.

Because of the size of the agreement, any amendment to the agreement must be approved by the Board. Today the Board is asked to consider approving the amendment as presented.

Mr. Wenzel congratulated Nova Scotia for the evolution of their program. Mr. Hollett made the motion for the approval of the amendment of the Nova Scotia Funding Agreement. The motion was seconded by Mr. Wenzel and unanimously approved by the Board.

VII. Compensation Review

Mr. Wenzel provided a brief overview of the process conducted to support the Compensation Committee recommendations to support the adoption of the Compensation Committee Charter, the Compensation Philosophy, and the procurement of an independent consultant to conduct a compensation review of WCI, Inc. staff.

Mr. Wenzel reminded the Board that, at its November 2018 Annual Meeting, the Board formed a committee to draft an evaluation of the Executive Director's performance in 2018, and study and make a proposal on a compensation review for the Executive Director position. The committee met with Chris Delfino in November 2018, WCI, Inc. corporate counsel, for advice on considerations and restrictions for nonprofit tax-exempt organizations, and how to conduct a salary survey.

During that meeting, Mr. Delfino advised that – per the US Internal Revenue Code and related regulations applicable to tax-exempt public charities like WCI, Inc. – anyone who exerts substantial influence on a non-profit must receive a fair market value for his or her services, to prevent the use of the organization's assets to privately benefit any individual. One way to determine fair market value is to perform a compensation review, independent of the Executive Director, which should look at compensation for executive people in comparable positions with similar skill set in other similar organizations (e.g. international non-profit with similar budget providing technical services) and which results should be reviewed by the Board to determine what is reasonable.

Mr. Wenzel indicated that following the main steps agreed at the executive session of the December 2018 Board meeting, the committee undertook a compensation review during winter 2019. This work namely allowed the committee to draft the Compensation Committee Charter and the Compensation Philosophy, based on guidance from WCI, Inc. legal counsel and from the book *Nonprofit Executive Compensation: Planning, Performance, and Pay*, published by BoardSource, purchased by the Committee. The Executive Director Job Description, which was about 5 years old, was also updated with his involvement to make sure that a future compensation review would compare with a similar position. Based on the committee discussions, including information gathered from interviews with compensation consultants, the Committee also drafted a request for proposal for compensation consulting services for all staff positions at WCI, Inc., which will be further discussed today in executive session. According to the committee, at three main factors can justify the hiring of a compensation consultant: (i) it can cut the workload on WCI, Inc. by about half, then the cost of bring in someone from outside may not be much more expensive than doing it internally; (ii) a consultant also has expertise that the Board doesn't; and, (iii) a third-party reasonableness opinion can provide some protection to the organization and Directors.

Per Ms. Kumaranayake's question about the expected end-product from the compensation consultant, Mr. Delfino indicated that typically such work, based on peers review of similar organizations, should provide a salary range for each WCI, Inc. staff position. Ms. Nichols asked to clarify if the compensation review was only for the Executive Director or for all WCI, Inc. staff. Mr. Wenzel indicated that the initial

mandate of the Committee was only for the compensation of the Executive Director, but that during its research it was told that the incremental cost increase to do the same exercise for all positions in parallel would be small, adding about 20% to the total cost. Mr. Th  roux added that a full staff compensation review may also be of interest for WCI, Inc. to hire technical resources. Mr. Tamblyn agreed with Mr. Th  roux and explained briefly how this could benefit the corporation based on recent hiring experiences.

Following discussions about an initial suggestion from Ms. Kumaranayake, the Board agreed to add references to “the Corporation’s capacity to pay” in the eight and eleventh bullet points of the Compensation Philosophy. Mr. Th  roux asked if there were additional questions from the Board. Hearing none, Mr. Th  roux asked for a motion to approve the Compensation Committee Charter and the Compensation Philosophy. The motion proposed by Ms. Nichols was seconded by Ms. Kumaranayake and unanimously approved by the Board. Mr. Th  roux also asked for a motion to confirm the Compensation Committee members, including Mr. Benoit, Mr. Hollett and Mr. Wenzel. The motion proposed by Mr. Wenzel was seconded by Mr. Hollett and unanimously approved by the Board.

VIII. Presentation of the 2018 Annual Report for Board Approval

Mr. Tamblyn presented the 2018 Annual Report for Board discussion and consideration. Mr. Tamblyn stated that the report supports WCI, Inc.’s contractual obligation to Qu  bec to report on its activities from the previous year and provides WCI, Inc. an opportunity to communicate more broadly with the public about the work WCI, Inc. is doing on an annual basis. He stated that if approved by the Board, the Annual Report will be submitted to Qu  bec and posted to the WCI, Inc. website.

Mr. Th  roux asked if there were any comments or questions from the Board. Mr. Benoit stated his appreciation for the content of this report, which provides a great overview of WCI, Inc. accomplishments in 2018. Mr. Th  roux also noted that the report reflected well the agility of the corporation to offboard Ontario, and then asked for a motion to approve the 2018 Annual Report. The motion from Ms. Kumaranayake was seconded by Mr. Wenzel and unanimously approved by the Board.

There being no other business, the Public session adjourned at 2:21 p.m. Pacific Time / 5:21 p.m. Eastern Time. The Board then convened an Executive (closed) Session to discuss procurement, personnel and jurisdiction matters.

IX. Actions Taken by the Board in Executive Session

During Executive Session, the Board approved the December 17, 2018 Executive Session meeting minutes; approved additional funding to support strategic planning initiatives; and updated banking signatories.

There being no other business, the executive (closed) session and the Board meeting was adjourned at 5:28 p.m. Pacific Time / 8:28 p.m. Eastern Time.

Respectfully submitted,

Jason Hollett, Secretary