Justification for a Contract Amendment to
Contract 2013-05: Cap-and-Trade Financial Services for Auctions and Reserve Sales

December 9, 2013

Introduction

Most of the administrative support provided by WCI, Inc. is highly technical or specialized and has been developed through the use of contractors. In September 2013, WCI, Inc. contracted with Deutsche Bank Trust Company Americas (Deutsche Bank) for auction and reserve sale financial and transactional escrow agency services, which includes evaluation of bid guarantees and settlement (transferring the payments from the auction and reserve sale purchasers to the sellers). The existing agreement is for the period September 2013 through December 2013.

WCI, Inc. proposes to modify its existing contract with Deutsche Bank. The purpose of this modification is extend the term and budget to provide financial and transactional escrow agency services for Participating Jurisdictions through December 2015.

Description of Services

The services being procured through the proposed amendment are the same as in the original contract, although the specific tasking and cost proposal has been refined to reflect updated assumptions about program activities and timing:

- **Auction and Reserve Sale Preparation Services**, which includes preparing, updating, and communicating auction and reserve sale processes and participating in bidder trainings and a practice auction as needed;
- **Pre-Auction and Pre-Reserve Sale Services**, which includes processing financial qualification applications, opening and maintaining accounts for approved auction and reserve sale participants, and reviewing financial guarantees; and
- **Post Auction and Post Reserve Sale Services**, which includes conducting the financial settlement for each auction and reserve sale and processing and distributing proceeds and financial guarantee deposits, per instructions from the Participating Jurisdictions.

Procurement Approach

The competitive procurement process that resulted in the initial selection of Deutsche Bank to provide financial services for auctions and reserve sales under Contract 2013-05 has been described previously and approved by the WCI, Inc. Board of Directors.

Deutsche Bank has demonstrated its qualifications to provide the services described above through its performance under the existing WCI, Inc. and previous California contracts.
The financial services for auctions and reserve sales need to continue uninterrupted and on schedule in order to accommodate upcoming program milestones, including implementing a linked cap-and-trade system and joint auction activities.

A contract modification is being proposed as the procurement vehicle to retain these required services. Continuing to work with the existing service provider during 2014-15 will best enable WCI, Inc. to maintain the stability of the program while developing the capability to implement a linked cap-and-trade system, and enables the Participating Jurisdictions and WCI, Inc. to take advantage of the significant knowledge of the auction and reserve sale processes and the technology platforms that Deutsche Bank has gained. This approach is also the most efficient approach for transferring services from jurisdiction-specific contracts to WCI, Inc. contracts.

WCI, Inc. and Participating Jurisdiction staff approached Deutsche Bank to confirm their interest in and availability to continue this work. The contract amendment with Deutsche Bank was developed by WCI, Inc. staff. Deutsche Bank finalized the attached technical and cost proposal, which has been reviewed and agreed to by WCI, Inc. and jurisdictional staff.

No additional steps have been taken to tender ongoing auction and reserve sale financial administration.

**Justification for a Non-Competitive Procurement**

WCI, Inc.’s Procurement Policy provides for non-competitive procurement in certain instances. In this case, the non-competitive procurement is justified based on the following two allowable exemptions:

- 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.

- Contract amendments to extend the original term for services and to add additional funding to a contract.
CONTRACT AMENDMENT: 2013-05-001

Agreement number 2013-05 between Deutsche Bank Trust Company Americas (Deutsche Bank or Contractor) and Western Climate Initiative, Inc. (WCI, Inc.), which was executed by the parties on September 19, 2013, is hereby amended as follows:

SUMMARY OF CHANGES

<table>
<thead>
<tr>
<th>Amendment Number</th>
<th>001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date for Amendment:</td>
<td>January 1, 2014</td>
</tr>
<tr>
<td>Current Agreement Amount:</td>
<td>[Redacted]</td>
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<tr>
<td>Changes to the Agreement Amount:</td>
<td>Increase of [Redacted]</td>
</tr>
<tr>
<td>Amended Maximum Agreement Amount:</td>
<td>[Redacted]</td>
</tr>
<tr>
<td>Current Agreement Term:</td>
<td>Beginning on September 19, 2012 and ending on December 31, 2013.</td>
</tr>
<tr>
<td>Agreement Term as Amended:</td>
<td>Beginning on September 19, 2012 and ending on December 31, 2015.</td>
</tr>
<tr>
<td>Extension of Tasks:</td>
<td>Auction and Reserve Sale Preparation Services, Pre-Auction and Pre-Reserve Sale Services, and Post Auction and Post Reserve Sale Services,</td>
</tr>
</tbody>
</table>

PURPOSE OF THIS AMENDMENT

1) Extend the term and budget for Deutsche Bank to provide auction and reserve sale financial administration through December 31, 2015.

SPECIFIC TERMS AND CONDITIONS WHICH CONSTITUTE THE AMENDMENT

1) The agreement referenced above is modified as follows:
   a. Term: Line 2 of the Standard Agreement cover page is changed to “Beginning on September 19, 2012 and ending on December 31, 2015.”
   b. Maximum amount of agreement: Line 3 of the Standard Agreement cover page is changed to “[Redacted].”
   c. Attachment A, Scope of Work for Cap-and-Trade Financial Services for Auctions and Reserve Sales in the existing agreement (beginning on page 2) is updated in its entirety by new Attachment A, dated November 20, 2013.
   d. Attachment B, page 9 is modified as follows: “Not-to-Exceed budget for this agreement is [Redacted]  See Attachment F, Contractor’s Technical and Cost Proposal dated November 20, 2013, for invoice basis.”
   e. Attachment F, Contractor’s Technical and Cost Proposal in the existing agreement (beginning on page 31), is updated by new Attachment F, dated November 20, 2013.
EXPLANATION OF CHANGES

1) Deutsche Bank will provide financial services for auctions and reserve sales for an additional twenty-four months (January 1, 2014 - December 31, 2015):
   a. Tasking has been refined to reflect updated assumptions about program activities and timing as outlined in new Attachment A.
   b. The expected costs to extend the term for financial services for auctions and reserve sales are outlined in new Attachment F, Contractors Technical and Cost Proposal, dated November 20, 2013.

APPROVALS

This document and any attachments described herein constitute an amendment to the above numbered agreement. All provisions of that contract, except those which are explicitly changed by this amendment, shall remain in full force and effect.

By signing, the Contractor and WCI, Inc. do hereby accept and approve this amendment.

**Deutsche Bank Trust Company Americas**

| Signature on File | December 30, 2013 |
| Authorized Signature | Date |
| Jane Snyder/Andrew Ball | VP/VP |
| Name | Title |

**Western Climate Initiative, Inc.**

| Signature on File | December 13, 2013 |
| Authorized Signature | Date |
| Patrick Cummins | Executive Director |
| Name | Title |
ATTACHMENT A:
SCOPE OF WORK

FOR CAP AND TRADE FINANCIAL SERVICES
FOR AUCTIONS AND RESERVE SALES

NOVEMBER 20, 2013

This attachment updates Attachment A contained in the original agreement 2013-05. More detail on these tasks is included in Attachment F, Contractor’s Cost Proposal, dated November 20, 2013.

The scope of work consists of four tasks as described below and in more detail in Attachment F, Contractor’s Technical and Cost Proposal, dated November 20, 2013.

Upon request and if applicable, all final and revised deliverables provided under this contract to the jurisdictions which are confidential to the jurisdictions shall be provided in redacted form to WCI, Inc.

The objective of these services is to provide greenhouse gas allowance auction and reserve sale preparation services and financial and transactional escrow agency services for Western Climate Initiative, Inc. and its Participating Jurisdictions (i.e. Quebec and California). The services will be provided in calendar years 2013, 2014, and 2015. Preparation services include review of regulations, procedures and technical requirements, participation in training of prospective auction and reserve sale participants, system configuration and specialized reporting, and participation in a practice California-Quebec joint auction. Financial and transactional agency services will be provided for:

- At least two Quebec auctions (expected in December 2013 and February 2014);
- Up to seven quarterly California-Quebec joint auctions;
- Up to seven California reserve sales; and
- Up to six Quebec reserve sales.

For cost estimation purposes, we assume two Quebec auctions, seven joint auctions, seven California reserve sales, and six Quebec reserve sales.

For reserve sales, the pricing for proposed services is for up to 150 registered participants per sale. For auctions, the number of total participants from each jurisdiction, California (CA) and/or Quebec (QC), that would be supported in each auction is described further below in the Cost Proposal. The scope, tasks, and processing services currently provided for the Air Resource Board (ARB) participants in the CA auctions and reserve sales are anticipated to be in close alignment with the scope, tasks, and processing services proposed for Quebec participants in the Quebec auction, jurisdiction-specific reserve sales, and for California and Quebec participants in joint auctions.
All services are to be conducted in accordance with the program regulations in effect for California and Quebec. If any instruction from WCI, Inc., ARB, or Quebec Minister of Sustainable Development, Environment, Wildlife, and Parks (herein “Minister”) is unclear, incomplete, or inconsistent with program regulations, other data, or instruction provided to contractor, the contractor shall seek clarification prior to carrying out the instruction.

The required services are summarized below and described in detail in the following pages. Deutsche Bank, as the financial services administrator, will provide the following Auction/Reserve Sale Preparation Services:

1. **Auction/Reserve Sale Preparation Services.** Prepare, update, and communicate auction and reserve sale processes as appropriate for Quebec only auctions, California-Quebec joint auctions, and jurisdiction-specific reserve sales. Participate in bidder training and testing of auction systems and processes as needed.

Deutsche Bank, as the financial services administrator, will provide the following financial and transactional Escrow Services for those auction and reserve sales covered by this agreement:

1. **Pre-Auction/Reserve Sale Services.** Financial Qualification Application Processing: Conduct the appropriate Know Your Customer due diligence for auction and reserve sale applicants. Open and maintain accounts for the deposit of financial guarantees for auction and reserve sale applicants who have been KYC cleared. Conduct the administration and acceptance/deposit of financial guarantees, including assessing the validity of collateral.

2. **Post Auction/Reserve Sale Services**
   a) **Financial Settlement.** Conduct the financial settlement for each quarterly auction and reserve sale, including coordinating with the designated auction and reserve sale operator (herein “Operator”) to ensure proper invoicing of participants.
   b) **Distribution of Proceeds.** Process post-auction/reserve sale payments for awarded GHG allowances per instructions from the ARB and/or Minister. Provide financial settlement confirmation for quarterly auction and reserve sales to enable transfer of GHG emission allowances and updating of market tracking operation records. Process foreign exchange, if required, and manage financial records associated with the quarterly auctions and reserve sales in a highly secure and confidential manner.
   c) **Return Financial Assurance Payments.** Process and return financial guarantee deposits to participants as instructed by the ARB and/or Minister.
   d) **Reporting and Documentation.** Provide reports and documentation of services, as described in this document.
The costs in this proposal represent the total costs of Quebec auctions, joint California-Quebec auctions, jurisdiction-specific reserve sales, and a practice joint auction. The total costs include the required customizations for Quebec auctions and reserve sales and Quebec and California joint auctions (e.g. quoting of exchange rate, foreign currency transactions, translation of documents, and accommodation of additional participants).

**Task 1. Auction/Reserve Sale Preparation Services**

The Contractor will work with the ARB, Minister, and Operator on:

**a) Review of regulations, procedures and technical requirements**
- Develop auction/reserve sale processes, controls, and instructions to allow for a) the participation of Quebec-registered participants in Quebec auctions, b) the administration of separate reserve sales for each jurisdiction, and c) the participation of Quebec-registered participants and California-registered participants in joint auctions.
- Review and amend developed financial qualification procedures, instructions, contact information, and training materials for potential participants.
- Review and amend developed financial settlement procedures, instructions, reconciliation reports, forms, contact information, and training materials for potential participants.
- Review and amend developed procedures for the receipt, review and acceptance of financial guarantees, including communication of discrepancies and the return of unacceptable financial guarantees.
- Participate in the testing of auction related systems and processes.

**b) Training (includes translation of training materials)**
- Provide all participant materials in English and French to WCI, Inc., ARB, Minister, and Operator.
- If requested by WCI, Inc., participate in live participant training sessions.

**c) System configuration and specialized reporting**
- Work with the ARB, Minister, and the Operator to customize technical extracts that are necessary to allow for the reporting of U.S. dollars (USD) and Canadian dollars (CAD) accounts and positions.

**d) Practice auction**
- If requested by WCI, Inc., cooperate with the ARB, Minister, and Operator to participate in a practice joint auction for CA and QC participants, expected in the first quarter of 2014, to demonstrate and exercise the procedures and capabilities for financial and transactional escrow agency services.
Finally, the Contractor will coordinate with WCI, Inc., the Operator, the market monitor, ARB, and Minister to manage the project and ensure all deliverables are met in a timely manner.

**Task 2. Pre-Auction/Reserve Sale Escrow Services**

The ARB and/or Minister will designate an Operator and will oversee the pre-auction/reserve sale, auction/reserve sale, and post auction/reserve sale activities. The ARB and/or Minister will be responsible for coordinating the participant application process. Financial qualification applications will be required for both the quarterly auctions of allowances made available by the ARB and/or Minister and the quarterly reserve sales.

**a) Financial qualification application processing (includes bidder on-boarding)**

- The Contractor will work in coordination with the ARB, Minister, and the Operator to conduct the financial qualification application process for auction and reserve sale applicants, including the required Know Your Customer due diligence. All potential applicants are gathered based on data transmitted from the CITSS. The qualification process is only conducted for those entities and individuals submitting an auction or reserve sale application to the Operator. In order to complete Know Your Customer due diligence, the Contractor will have access to download entity registration details from the CITSS. ARB and Minister will provide the Contractor with additional entity registration details not available in the CITSS. The additional required information includes the name and address of each auction and reserve sale applicant’s directors and officers, and a list of persons controlling over 10% of the voting rights attached to all the outstanding voting securities of the registering entity. The Contractor may contact the auction and reserve sale applicants directly if questions arise in review of the entity’s ownership and list of controlling persons in order to maintain compliance with all Anti-Money Laundering requirements. This includes being able to independently obtain, verify, and record information about any individual or entity with which the Contractor establishes a relationship or opens an account. Jurisdiction representatives from the entity’s jurisdiction of CITSS registration will be copied on all requests for additional data. For individual applicants, the Contractor will obtain supplemental information directly from the applicant. If the Contractor determines that information provided by ARB or the Minister (e.g. name and address of directors and officers or persons controlling over 10% of the voting rights attached to all the outstanding voting securities of the registering entity) is incorrect and they receive updated information, this discrepancy will be reported to ARB or the Minister.

**b) Account setup and receipt and review of financial guarantees**

- Upon completion of the financial qualification application process, the Contractor will open accounts on behalf of the approved participants and provide updates on established accounts to the Operator, and upon request to the ARB or Minister.
• Receive, review, and report on participant financial guarantees.

• The Contractor will work with the auction and reserve sale applicants to have any bid guarantees not meeting requirements in the Auction Notice amended prior to the financial guarantee submission deadline. In the event that a Contractor cannot accept a bid guarantee submitted, the Contractor will notify ARB or the Minister. If documentation is required to be shared with ARB or the Minister, ARB or the Minister should only receive documentation and information pertaining to the bid guarantee of a respective entity or individual registered to that jurisdiction (i.e. ARB should be the only party to receive financial guarantee information for CA applicants, and the Minister should be the only party to receive financial information for QC applicants). In the event that an unacceptable form cannot be amended by the submission deadline, the Contractor will return the bid guarantee directly to the party identified in the auction application for return of bid guarantees per the instructions of the ARB or the Minister, whichever is the applicant’s jurisdiction. The bid guarantee must be returned within three (3) business days after the bid guarantee due date. ARB or the Minister will be copied on any correspondence to the applicant in the process of returning the bid guarantee.

Financial guarantees submitted by Quebec entities will be in one or a combination of the following forms:

• A letter of guarantee issued by a bank or financial services cooperative with a Canadian banking license
• Cash in the form of a wire transfer.
• An irrevocable letter of credit issued by a bank or financial services cooperative with Canadian banking license.

For Quebec auctions and reserve sales, the Contractor will allow for receipt of assurance payments from Quebec registered entities in Canadian dollars (CAD) only. For joint auctions, the Contractor will allow for the receipt of assurance payments from Quebec registered entities in U.S. dollars (USD) and Canadian dollars (CAD). In this case, any Quebec registered entity will be able to provide assurance payments in either but only one currency. Upon receipt and review of the collateral, assurance payments will be placed on account and if applicable, held in the Contractor’s vault. The Contractor anticipates any form of Letter of Credit or Bond / Letter of Guarantee to be in English, but will accept French documents. If French documents are submitted, the Contractor will request an English translation from the issuer of the Letter of Credit or Bond / Letter of Guarantee. If an English translation cannot be provided in a timely manner, the Contractor will provide a copy of the French text to appropriate staff at WCI, Inc. and the Ministry, and WCI, Inc. will be responsible for translating the document. A bid guarantee submitted in any form other than cash must be payable within one business day of payment request.

The Contractor will provide the Operator with a daily electronic report of KYC cleared CITSS auction and reserve sale applicants, which includes their financial services
account information, during an open auction or reserve sale application window. Upon receipt and deposit of the applicant’s financial guarantees, the daily report will be updated to include the amount and type of bid guarantee received. For Quebec participants in a joint auction, the Contractor will reconcile the currency in which the bid guarantee is submitted to the currency selected during the application process. Processes and procedures will be prepared to determine next steps in the case of a mismatch as per Task 1. The Contractor will provide the final report of all accounts with bid guarantees received no later than (2) business days after the applicable bid guarantee submission deadline. All data reported to the Operator will also be provided by secure means to the ARB or Minister upon request.

Deliverables for each task are described in the Work Plan and Work Schedule. As most deliverables are provided to the ARB and Minister, Contractor will update WCI, Inc. of the status of each task by email. During the open application period for each auction or reserve sale and up to the point of completion of each task prior to each auction or reserve sale, the Contractor will provide a daily email confirming the delivery of the electronic report referenced above. For each auction or reserve sale, Tasks 2a and 2b will be complete after the end of the application period. Final bid guarantee balances must be updated after the bid guarantee submittal deadline and prior to the date on which the participation determination of the applicant must be completed by the auction and reserve sale platform administrators representing the ARB and Minister.

The Contractor will review any proposed regulatory changes and prepare procedures for accepting any new bid guarantee forms (e.g. Surety Bonds) and prepare systems to accept these new bid guarantee forms.

**Task 3. Post Auction/Reserve Sale Escrow Services**

After each quarterly auction and reserve sale, the Contractor shall process payments from successful participants, return financial assurance deposits to both successful and unsuccessful participants, and distribute auction or reserve sale proceeds to the ARB, Minister, and/or consignees. For successful participants who posted financial assurance in a cash equivalent, such as a wire transfer, the Contractor’s services will allow for these funds to be applied towards the invoice for purchase of allowances.

The Operator will be responsible for reporting to the ARB and/or Minister the results of the auction or reserve sale (awards and settlement price) and, after the ARB’s and/or Minister’s approval, and after notification of results has been provided to participants, will make available awards and financial settlement instructions to the Contractor.

Quebec participants in a Quebec only auction or Quebec reserve sale will settle all successful allowance bids with cash via a wire transfer in Canadian dollars (CAD). Quebec participants in a joint auction will settle all successful allowance bids with cash via a wire transfer in CAD or United States Dollars (USD), but in the same currency as the bid guarantee provided for the auction. If a bidder provided a Letter of Credit or a Bond / Letter of Guarantee and has not submitted the cash to the Contractor within
seven (7) calendar days, the Contractor will draw on the bid guarantee to ensure that funds are available to complete financial reconciliation within 3 business days after the due date for receiving all payments from successful bidders.

The Contractor will proceed with settlement upon certification of the auction or reserve sale. The Contractor will obtain from the Operator a report of all bidders with the total cost of the awarded GHG allowances, if any. This amount represents the amount to be paid for settlement of the allowances. Bidders are required to pay for allowances purchased in the currency in which the bid guarantee was submitted. Cash settlement from successful bidders is required to be completed within seven (7) calendar days after certification of the auction or reserve sale. If a bidder provided cash as their form of bid guarantee, the Contractor will net the amount owed from the amount on deposit, return any excess to the bidder and notify the bidder that the bid guarantee has been returned. If a bidder provided a Letter of Credit or a Bond / Letter of Guarantee and has not submitted the cash to the Contractor within seven (7) calendar days, the Contractor will draw on the bid guarantee to ensure that funds are available to complete financial reconciliation within 3 business days after the due date for receiving all payments from successful bidders.

For joint auctions, the Contractor will provide a reconciliation report upon request to the ARB and the Minister on the status of settlement of the auction. The report will include a complete list of qualified bidders, the proceeds received from each bidder to pay for the allowances purchased in the auction, and the currency of the funds used for settlement. The Contractor will provide an interim reconciliation report no later than three (3) business days after the payment due date confirming all funds received for payment and the return of all bid guarantees and indicating the proceeds to be paid. The interim reconciliation report must show that the sum of all the proceeds equals the sum of all total successful bid cost as provided in the financial settlement report from the Operator.

The ARB and Minister will provide a joint request to pay proceeds indicating the currency required for each entity receiving proceeds and request a quote be given to process any foreign exchange required to complete the distribution of proceeds from the auction. The Contractor will provide the quote to the ARB and Minister and the ARB and Minister will provide direction to process the currency exchange, including the dollar amount of the trade. The Contractor will process the trade pursuant to developed procedures referenced in Task 1 and timing of the trade instruction. Upon settlement of the currency exchange, ARB and Minister will provide direction to the Contractor to disburse the proceeds of the auction to any consignees, ARB, and Minister. The direction will include the amount of USD to be distributed to consignees and the ARB and the amount of CAD to be distributed to Minister and wire instructions for each. After completing the distribution of proceeds, the Contractor will provide the final reconciliation report to the ARB and Minister by secure FTP. The ARB and Minister will then close the auction in the auction platform. The Contractor will receive an email from the auction platform that the auction has been closed which will constitute the ARB’s and Minister’s acceptance of the final reconciliation report.
a) Conduct financial settlement (including confirmation and statements) and process distribution of proceeds

- **Auctions**
  - After each auction is certified, the Contractor will receive and process invoice payments from auction participants.
  - The Contractor will provide electronic reconciliation reports to the ARB and/or Minister by secure FTP upon request during the seven (7) day payment period and an interim final reconciliation report no later than three (3) business days after the payment due date confirming all funds received for payment and the return of all bid guarantees and indicating the proceeds to be paid.
  - For Quebec auctions, the Contractor will provide the above lists and reports to the Minister only.
  - For joint auctions, the Contractor will provide the above lists and reports to both the ARB and the Minister.

- **Reserve Sales**
  - After each reserve sale is certified, the Contractor will receive and process invoice payments from reserve sale participants.
  - The Contractor will provide electronic reconciliation report to ARB or Minister, as appropriate, by secure FTP upon request during the seven (7) day payment period and an interim final reconciliation report no later than three (3) business days after the payment due date confirming all funds received for payment and the return of all bid guarantees and indicating the proceeds to be paid.

- **Processing Distribution of Proceeds**
  - The Contractor will be provided with instructions for the distribution of auction/reserve sale proceeds by the ARB and/or Minister. In the event a foreign exchange between U.S. dollars (USD) and Canadian dollars (CAD) is necessary, the Contractor will process the required exchange transaction at the direction of the ARB and Minister prior to delivering the proceeds as provided in the instructions.
  - Upon completion of all the required payments, the Contractor must provide a final reconciliation report to ARB and/or Minister by secure FTP.

b) Return financial assurance payments

- The Contractor will return financial assurance payments to their respective auction/reserve sale participants no later than 12 business days after each auction/reserve sale has been certified.

Deliverables for each task are described in the Work Plan and Work Schedule. As most deliverables are provided to the jurisdictions, Contractor will update WCI, Inc. of the status of completion of each task by email. The Contractor will provide an email to the WCI, Inc. confirming the completion and delivery of the interim reconciliation report provided to the ARB and/or Minister when financial settlement, including receipt of all payment from successful bidders and return of all bid guarantees, is complete but prior
to authorization to pay proceeds. Acceptance of the interim reconciliation report will be evidenced by the ARB and/or the Minister’s authorization to distribute proceeds. The Contractor will provide an additional email notification to WCI, Inc. confirming the completion and delivery of the final reconciliation report provided to the ARB and/or Minister. This email will be provided to WCI, Inc. at the time the final reconciliation report is provided to the ARB and/or Minister. Acceptance of the final reconciliation report will be evidenced by the ARB and/or the Minister through the email notification from the Markit Auction Platform that the auction is closed. The Contractor will provide a third email notification to WCI, Inc. confirming the distribution of auction or reserve sale proceeds, including payments to consignees and jurisdiction(s). This email will include a copy of the email notification from the Auction Platform that auction/reserve sale is closed.

**Task 4. Consignee Setup and Payments**

For joint auctions, ARB will provide the Contractor with a list of entities who have consigned allowances in the applicable auction. The Contractor will contact each Consignee and request wire instructions to deliver payment of proceeds from the sale of allowances successfully sold in the given auction. Post auction, the Contractor will be provided with auction proceeds report detailing the number of allowances sold and the proceeds payable to each Consignee. The Contractor will generate a statement detailing this information and provide it via email to each of the Consignees and ARB. A copy of the email to each consignee will be provided to ARB. Upon ARB direction, the Contractor will pay the proceeds to each of the Consignees as detailed in the auction proceeds report.

As part of the deliverables described above for Task 3, the Contractor will provide email notifications to WCI, Inc. confirming the completion and delivery of reconciliation reports, which will include payments to consignees and email notifications from the Auction Platform that the auction or reserve sale is closed. The Contractor will also include confirmation that the statements of Consigned Allowances were sent to each of the Consignees.

WCI, Inc. and ARB is working with SRA International to revise the process to collect consignee wire instructions through the CITSS to eliminate the separate email wire confirmation process in order to better protect wire instructions data. The functionality is anticipated to be designed in 2014 to be used in late 2014 or early 2015. The Contractor will be needed to assist in testing this new functionality.

**French Translation**

The following training material, email notifications and standard communications will be provided to Quebec auction and reserve sale participants in French and English:

- QC - Individual Participant Form;
- Sample Form LOC ;
- Bidder Guarantee Return Email
Wire Instructions

Confidential material including developed procedures and normal correspondence provided to the Minister will be provided in English.

If in the course of its duties, Contractor receives correspondence in French and does not have French-speaking personnel available to translate the correspondence, the Contractor will send the correspondence to the WCI and/or Minister who will be responsible for the translation. If the correspondence is a bid guarantee in the form of a Letter of Credit or Letter of Guarantee, the Contractor will request that the issuer of the bid guarantee provide it in English. If the issuer of the bid guarantee cannot provide it in English, the Contractor will send the bid guarantee to the WCI and/or Minister who will be responsible for the translation. In the event the Contractor is in receipt of a French only bid guarantee at the big guarantee submission deadline, the Contractor will work with the Minister to determine if the bid guarantee meets the requirements for participation in the auction and will accept or reject the bid guarantee on the written instruction of the Minister.
ATTACHMENT F:
CONTRACTOR’S TECHNICAL AND COST PROPOSAL
Proposal:
Cap-and-Trade Financial Services for
Auctions and Reserve Sales

November 20, 2013

Presented by
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Submitted to
Western Climate Initiative, Inc.
Scope of Work

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- Up to six Quebec reserve sales.

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Deutsche Bank, as the financial services administrator, will provide the following financial and transactional Escrow Services for those auction and reserve sales covered by this agreement:

1. **Pre-Auction/Reserve Sale Services**
   - **Financial Qualification Application Processing**: Conduct the appropriate Know Your Customer due diligence for auction and reserve sale applicants. Open and maintain accounts for the deposit of financial guarantees for auction and reserve sale applicants who have been KYC cleared. Conduct the administration and acceptance/deposit of financial guarantees, including assessing the validity of collateral.

2. **Post Auction/Reserve Sale Services**
   - **Financial Settlement**. Conduct the financial settlement for each quarterly auction and reserve sale, including coordinating with the designated auction and reserve sale operator (herein “Operator”) to ensure proper invoicing of participants.
   - **Distribution of Proceeds**. Process post-auction/reserve sale payments for awarded GHG allowances per instructions from the ARB and/or Minister. Provide financial settlement confirmation for quarterly auction and reserve sales to enable transfer of GHG emission allowances and updating of market tracking operation records. Process foreign exchange, if required, and manage financial records associated with the quarterly auctions and reserve sales in a highly secure and confidential manner.
   - **Return Financial Assurance Payments**. Process and return financial guarantee deposits to participants as instructed by the ARB and/or Minister.
   - **Reporting and Documentation**. Provide reports and documentation of services, as described in this document.

The costs in this proposal represent the total costs of Quebec auctions, joint California-Quebec auctions, jurisdiction-specific reserve sales, and a practice joint auction. The total costs include the required customizations for Quebec auctions and reserve sales and Quebec and California joint auctions (e.g. quoting of exchange rate, foreign currency transactions, translation of documents, and accommodation of additional participants).

**Task 1. Auction/Reserve Sale Preparation Services**

The Contractor will work with the ARB, Minister, and Operator on:

- **Review of regulations, procedures and technical requirements**
  - Develop auction/reserve sale processes, controls, and instructions to allow for a) the participation of Quebec-registered participants in Quebec auctions, b) the administration of separate reserve sales for each jurisdiction, and c) the participation of Quebec-registered participants and California-registered participants in joint auctions.
  - Review and amend developed financial qualification procedures, instructions, contact information, and training materials for potential participants.
• Review and amend developed financial settlement procedures, instructions, reconciliation reports, forms, contact information, and training materials for potential participants.
• Review and amend developed procedures for the receipt, review and acceptance of financial guarantees, including communication of discrepancies and the return of unacceptable financial guarantees.
• Participate in the testing of auction related systems and processes.

b) Training (includes translation of training materials)
• Provide all participant materials in English and French to WCI, Inc., ARB, Minister, and Operator.
• If requested by WCI, Inc., participate in live participant training sessions.

c) System configuration and specialized reporting
• Work with the ARB, Minister, and the Operator to customize technical extracts that are necessary to allow for the reporting of U.S. dollars (USD) and Canadian dollars (CAD) accounts and positions.

d) Practice auction
• If requested by WCI, Inc., cooperate with the ARB, Minister, and Operator to participate in a practice joint auction for CA and QC participants, expected in the first quarter of 2014, to demonstrate and exercise the procedures and capabilities for financial and transactional escrow agency services.

Finally, the Contractor will coordinate with WCI, Inc., the Operator, the market monitor, ARB, and Minister to manage the project and ensure all deliverables are met in a timely manner.

Task 2. Pre-Auction/Reserve Sale Escrow Services

The ARB and/or Minister will designate an Operator and will oversee the pre-auction/reserve sale, auction/reserve sale, and post auction/reserve sale activities. The ARB and/or Minister will be responsible for coordinating the participant application process. Financial qualification applications will be required for both the quarterly auctions of allowances made available by the ARB and/or Minister and the quarterly reserve sales.

a) Financial qualification application processing (includes bidder on-boarding)
• The Contractor will work in coordination with the ARB, Minister, and the Operator to conduct the financial qualification application process for auction and reserve sale applicants, including the required Know Your Customer due diligence. All potential applicants are gathered based on data transmitted from the CITSS. The qualification process is only conducted for those entities and individuals submitting an auction or reserve sale application to the Operator. In order to complete Know Your Customer due diligence, the Contractor will have access to download entity registration details from the CITSS. ARB and Minister will provide the Contractor
with additional entity registration details not available in the CITSS. The additional required information includes the name and address of each auction and reserve sale applicant’s directors and officers, and a list of persons controlling over 10% of the voting rights attached to all the outstanding voting securities of the registering entity. The Contractor may contact the auction and reserve sale applicants directly if questions arise in review of the entity’s ownership and list of controlling persons in order to maintain compliance with all Anti-Money Laundering requirements. This includes being able to independently obtain, verify, and record information about any individual or entity with which the Contractor establishes a relationship or opens an account. Jurisdiction representatives from the entity’s jurisdiction of CITSS registration will be copied on all requests for additional data. For individual applicants, the Contractor will obtain supplemental information directly from the applicant. If the Contractor determines that information provided by ARB or the Minister (e.g. name and address of directors and officers or persons controlling over 10% of the voting rights attached to all the outstanding voting securities of the registering entity) is incorrect and they receive updated information, this discrepancy will be reported to ARB or the Minister.

**b) Account setup and receipt and review of financial guarantees**

- Upon completion of the financial qualification application process, the Contractor will open accounts on behalf of the approved participants and provide updates on established accounts to the Operator, and upon request to the ARB or Minister.
- Receive, review, and report on participant financial guarantees.
- The Contractor will work with the auction and reserve sale applicants to have any bid guarantees not meeting requirements in the Auction Notice amended prior to the financial guarantee submission deadline. In the event that a Contractor cannot accept a bid guarantee submitted, the Contractor will notify ARB or the Minister. If documentation is required to be shared with ARB or the Minister, ARB or the Minister should only receive documentation and information pertaining to the bid guarantee of a respective entity or individual registered to that jurisdiction (i.e. ARB should be the only party to receive financial guarantee information for CA applicants, and the Minister should be the only party to receive financial information for QC applicants). In the event that an unacceptable form cannot be amended by the submission deadline, the Contractor will return the bid guarantee directly to the party identified in the auction application for return of bid guarantees per the instructions of the ARB or the Minister, whichever is the applicant’s jurisdiction. The bid guarantee must be returned within three (3) business days after the bid guarantee due date. ARB or the Minister will be copied on any correspondence to the applicant in the process of returning the bid guarantee.

Financial guarantees submitted by Quebec entities will be in one or a combination of the following forms:

- A letter of guarantee issued by a bank or financial services cooperative with a Canadian banking license
- Cash in the form of a wire transfer.
• An irrevocable letter of credit issued by a bank or financial services cooperative with Canadian banking license.

For Quebec auctions and reserve sales, the Contractor will allow for receipt of assurance payments from Quebec registered entities in Canadian dollars (CAD) only. For joint auctions, the Contractor will allow for the receipt of assurance payments from Quebec registered entities in U.S. dollars (USD) and Canadian dollars (CAD). In this case, any Quebec registered entity will be able to provide assurance payments in either but only one currency. Upon receipt and review of the collateral, assurance payments will be placed on account and if applicable, held in the Contractor's vault. The Contractor anticipates any form of Letter of Credit or Bond / Letter of Guarantee to be in English, but will accept French documents. If French documents are submitted, the Contractor will request an English translation from the issuer of the Letter of Credit or Bond / Letter of Guarantee. If an English translation cannot be provided in a timely manner, the Contractor will provide a copy of the French text to appropriate staff at WCI, Inc. and the Ministry, and WCI, Inc. will be responsible for translating the document. A bid guarantee submitted in any form other than cash must be payable within one business day of payment request.

The Contractor will provide the Operator with a daily electronic report of KYC cleared CITSS auction and reserve sale applicants, which includes their financial services account information, during an open auction or reserve sale application window. Upon receipt and deposit of the applicant's financial guarantees, the daily report will be updated to include the amount and type of bid guarantee received. For Quebec participants in a joint auction, the Contractor will reconcile the currency in which the bid guarantee is submitted to the currency selected during the application process. Processes and procedures will be prepared to determine next steps in the case of a mismatch as per Task 1. The Contractor will provide the final report of all accounts with bid guarantees received no later than (2) business days after the applicable bid guarantee submission deadline. All data reported to the Operator will also be provided by secure means to the ARB or Minister upon request.

Deliverables for each task are described in the Work Plan and Work Schedule. As most deliverables are provided to the ARB and Minister, Contractor will update WCI, Inc. of the status of each task by email. During the open application period for each auction or reserve sale and up to the point of completion of each task prior to each auction or reserve sale, the Contractor will provide a daily email confirming the delivery of the electronic report referenced above. For each auction or reserve sale, Tasks 2a and 2b will be complete after the end of the application period. Final bid guarantee balances must be updated after the bid guarantee submittal deadline and prior to the date on which the participation determination of the applicant must be completed by the auction and reserve sale platform administrators representing the ARB and Minister.

The Contractor will review any proposed regulatory changes and prepare procedures for accepting any new bid guarantee forms (e.g. Surety Bonds) and prepare systems to accept these new bid guarantee forms.
Task 3. Post Auction/Reserve Sale Escrow Services

After each quarterly auction and reserve sale, the Contractor shall process payments from successful participants, return financial assurance deposits to both successful and unsuccessful participants, and distribute auction or reserve sale proceeds to the ARB, Minister, and/or consignees. For successful participants who posted financial assurance in a cash equivalent, such as a wire transfer, the Contractor's services will allow for these funds to be applied towards the invoice for purchase of allowances.

The Operator will be responsible for reporting to the ARB and/or Minister the results of the auction or reserve sale (awards and settlement price) and, after the ARB’s and/or Minister’s approval, and after notification of results has been provided to participants, will make available awards and financial settlement instructions to the Contractor.

Quebec participants in a Quebec only auction or Quebec reserve sale will settle all successful allowance bids with cash via a wire transfer in Canadian dollars (CAD). Quebec participants in a joint auction will settle all successful allowance bids with cash via a wire transfer in CAD or United States Dollars (USD), but in the same currency as the bid guarantee provided for the auction. If a bidder provided a Letter of Credit or a Bond / Letter of Guarantee and has not submitted the cash to the Contractor within seven (7) calendar days, the Contractor will draw on the bid guarantee to ensure that funds are available to complete financial reconciliation within 3 business days after the due date for receiving all payments from successful bidders.

The Contractor will proceed with settlement upon certification of the auction or reserve sale. The Contractor will obtain from the Operator a report of all bidders with the total cost of the awarded GHG allowances, if any. This amount represents the amount to be paid for settlement of the allowances. Bidders are required to pay for allowances purchased in the currency in which the bid guarantee was submitted. Cash settlement from successful bidders is required to be completed within seven (7) calendar days after certification of the auction or reserve sale. If a bidder provided cash as their form of bid guarantee, the Contractor will net the amount owed from the amount on deposit, return any excess to the bidder and notify the bidder that the bid guarantee has been returned. If a bidder provided a Letter of Credit or a Bond / Letter of Guarantee and has not submitted the cash to the Contractor within seven (7) calendar days, the Contractor will draw on the bid guarantee to ensure that funds are available to complete financial reconciliation within 3 business days after the due date for receiving all payments from successful bidders.

For joint auctions, the Contractor will provide a reconciliation report upon request to the ARB and the Minister on the status of settlement of the auction. The report will include a complete list of qualified bidders, the proceeds received from each bidder to pay for the allowances purchased in the auction, and the currency of the funds used for settlement. The Contractor will provide an interim reconciliation report no later than three (3) business days after the payment due date confirming all funds received for payment and the return
of all bid guarantees and indicating the proceeds to be paid. The interim reconciliation report must show that the sum of all the proceeds equals the sum of all total successful bid cost as provided in the financial settlement report from the Operator.

The ARB and Minister will provide a joint request to pay proceeds indicating the currency required for each entity receiving proceeds and request a quote be given to process any foreign exchange required to complete the distribution of proceeds from the auction. The Contractor will provide the quote to the ARB and Minister and the ARB and Minister will provide direction to process the currency exchange, including the dollar amount of the trade. The Contractor will process the trade pursuant to developed procedures referenced in Task 1 and timing of the trade instruction. Upon settlement of the currency exchange, ARB and Minister will provide direction to the Contractor to disburse the proceeds of the auction to any consignees, ARB, and Minister. The direction will include the amount of USD to be distributed to consignees and the ARB and the amount of CAD to be distributed to Minister and wire instructions for each. After completing the distribution of proceeds, the Contractor will provide the final reconciliation report to the ARB and Minister by secure FTP. The ARB and Minister will then close the auction in the auction platform. The Contractor will receive an email from the auction platform that the auction has been closed which will constitute the ARB’s and Minister’s acceptance of the final reconciliation report.

a) Conduct financial settlement (including confirmation and statements) and process distribution of proceeds
   - Auctions
     o After each auction is certified, the Contractor will receive and process invoice payments from auction participants.
     o The Contractor will provide electronic reconciliation reports to the ARB and/or Minister by secure FTP upon request during the seven (7) day payment period and an interim final reconciliation report no later than three (3) business days after the payment due date confirming all funds received for payment and the return of all bid guarantees and indicating the proceeds to be paid.
     o For Quebec auctions, the Contractor will provide the above lists and reports to the Minister only.
     o For joint auctions, the Contractor will provide the above lists and reports to both the ARB and the Minister.
   - Reserve Sales
     o After each reserve sale is certified, the Contractor will receive and process invoice payments from reserve sale participants.
     o The Contractor will provide electronic reconciliation report to ARB or Minister, as appropriate, by secure FTP upon request during the seven (7) day payment period and an interim final reconciliation report no later than three (3) business days after the payment due date confirming all funds received for payment and the return of all bid guarantees and indicating the proceeds to be paid.
• **Processing Distribution of Proceeds**
  
  o The Contractor will be provided with instructions for the distribution of auction/reserve sale proceeds by the ARB and/or Minister. In the event a foreign exchange between U.S. dollars (USD) and Canadian dollars (CAD) is necessary, the Contractor will process the required exchange transaction at the direction of the ARB and Minister prior to delivering the proceeds as provided in the instructions.
  
  o Upon completion of all the required payments, the Contractor must provide a final reconciliation report to ARB and/or Minister by secure FTP.

  **b) Return financial assurance payments**

  - The Contractor will return financial assurance payments to their respective auction/reserve sale participants no later than 12 business days after each auction/reserve sale has been certified.

Deliverables for each task are described in the Work Plan and Work Schedule. As most deliverables are provided to the jurisdictions, Contractor will update WCI, Inc. of the status of completion of each task by email. The Contractor will provide an email to the WCI, Inc. confirming the completion and delivery of the interim reconciliation report provided to the ARB and/or Minister when financial settlement, including receipt of all payment from successful bidders and return of all bid guarantees, is complete but prior to authorization to pay proceeds. Acceptance of the interim reconciliation report will be evidenced by the ARB and/or the Minister’s authorization to distribute proceeds. The Contractor will provide an additional email notification to WCI, Inc. confirming the completion and delivery of the final reconciliation report provided to the ARB and/or Minister. This email will be provided to WCI, Inc. at the time the final reconciliation report is provided to the ARB and/or Minister. Acceptance of the final reconciliation report will be evidenced by the ARB and/or the Minister through the email notification from the Markit Auction Platform that the auction is closed. The Contractor will provide a third email notification to WCI, Inc. confirming the distribution of auction or reserve sale proceeds, including payments to consignees and jurisdiction(s). This email will include a copy of the email notification from the Auction Platform that auction/reserve sale is closed.

**Task 4. Consignee Setup and Payments**

For joint auctions, ARB will provide the Contractor with a list of entities who have consigned allowances in the applicable auction. The Contractor will contact each Consignee and request wire instructions to deliver payment of proceeds from the sale of allowances successfully sold in the given auction. Post auction, the Contractor will be provided with auction proceeds report detailing the number of allowances sold and the proceeds payable to each Consignee. The Contractor will generate a statement detailing this information and provide it via email to each of the Consignees and ARB. A copy of the email to each consignee will be provided to ARB. Upon ARB direction, the Contractor will pay the proceeds to each of the Consignees as detailed in the auction proceeds report.
As part of the deliverables described above for Task 3, the Contractor will provide email notifications to WCI, Inc. confirming the completion and delivery of reconciliation reports, which will include payments to consignees and email notifications from the Auction Platform that the auction or reserve sale is closed. The Contractor will also include confirmation that the statements of Consigned Allowances were sent to each of the Consignees.

WCI, Inc. and ARB is working with SRA International to revise the process to collect consignee wire instructions through the CITSS to eliminate the separate email wire confirmation process in order to better protect wire instructions data. The functionality is anticipated to be designed in 2014 to be used in late 2014 or early 2015. The Contractor will be needed to assist in testing this new functionality.

**French Translation**

The following training material, email notifications and standard communications will be provided to Quebec auction and reserve sale participants in French and English:

- QC - Individual Participant Form;
- Sample Form LOC;
- Bidder Guarantee Return Email
- Wire Instructions

Confidential material including developed procedures and normal correspondence provided to the Minister will be provided in English.

If in the course of its duties, Contractor receives correspondence in French and does not have French-speaking personnel available to translate the correspondence, the Contractor will send the correspondence to the WCI and/or Minister who will be responsible for the translation. If the correspondence is a bid guarantee in the form of a Letter of Credit or Letter of Guarantee, the Contractor will request that the issuer of the bid guarantee provide it in English. If the issuer of the bid guarantee cannot provide it in English, the Contractor will send the bid guarantee to the WCI and/or Minister who will be responsible for the translation. In the event the Contractor is in receipt of a French only bid guarantee at the big guarantee submission deadline, the Contractor will work with the Minister to determine if the bid guarantee meets the requirements for participation in the auction and will accept or reject the bid guarantee on the written instruction of the Minister.
Cost Proposal

One-Time Costs  Fees for Practice Auction will only be charged if Deutsche Bank’s participation is needed.

<table>
<thead>
<tr>
<th>Description of Services</th>
<th>One-Time Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 1a. Review and consideration of regulations. Development and documentation of procedures</td>
<td></td>
</tr>
<tr>
<td>Task 1b. Training (includes translation of training materials)</td>
<td></td>
</tr>
<tr>
<td>Task 1c. System configuration and specialized reporting</td>
<td></td>
</tr>
<tr>
<td>Task 1d. Practice Auction (for Task 2b and Task 3a below only)</td>
<td></td>
</tr>
<tr>
<td>Total One-Time Costs</td>
<td></td>
</tr>
</tbody>
</table>

Recurring Costs per Auction – Total cost not to exceed [Redacted] for 301+ participants  Fees for each of the tasks listed below will be charged only if services are provided.

<table>
<thead>
<tr>
<th>Description of Services</th>
<th>For up to 100 participants</th>
<th>For 101 to 200 Participants</th>
<th>For 201 to 300 Participants</th>
<th>For 301+ Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 2a. Financial qualification application processing (includes bidder on-boarding and account maintenance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task 2b. Account setup, review and acceptance of financial guarantees; communication of any discrepancies to bidders, deposit of either USD or CAD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task 3a. Conduct financial settlement (including confirmation, statements and distribution of proceeds)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task 3b. Return of financial guarantees</td>
<td>MEW</td>
<td></td>
<td>LEW</td>
<td></td>
</tr>
<tr>
<td>Task 4. Consignee setup and payments (applicable only to auctions involving CA)</td>
<td>MEW</td>
<td></td>
<td>LEW</td>
<td></td>
</tr>
<tr>
<td>Total Costs per Auction</td>
<td>MEW</td>
<td></td>
<td>LEW</td>
<td></td>
</tr>
</tbody>
</table>
Cost details have been removed from the public document for business confidentiality and competitiveness reasons.

<table>
<thead>
<tr>
<th>Description of Services</th>
<th>Recurring Cost per QC Reserve Sale</th>
<th>Recurring Cost per CA Reserve Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Task 2a.</strong> Financial qualification application processing (includes bidder on-boarding and account maintenance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Task 2b.</strong> Account setup, review and acceptance of financial guarantees; communication of any discrepancies to participants, deposit of USD or CAD</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Task 3a.</strong> Conduct financial settlement (including confirmation, and statements and distribution of proceeds</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Task 3b.</strong> Return financial guarantees</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Costs per Reserve Sale</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Assumptions:

- Participants are defined as the entities or individual general market participants, distinguishing the entities from the representatives that may act on behalf of the entities.
- All auction and reserve sale participants will register through CITSS and complete an auction or reserve sale application in MAP.
- Qualified participants are defined as entities whose auction or reserve sale applications are approved by California or Quebec.
- Financial guarantees submitted for an auction or reserve sale will be cash, Letters of Credit, and Bank Bonds only, although Letters of Credit and Letters of Guarantee from qualified non-bank financial institutions in Canada will also be allowed for Quebec registered participants.
- Canadian Dollar denominated checks will be deposited with the Minister. Minister will wire funds to Contractor.
- Quebec participants will not consign allowances to an auction.
- In a joint auction, Bidding and Financial Settlement will occur in the same currency as the Bid Guarantee submitted and is limited to USD or CAD for any Quebec participant and USD for any California participant.
- No more than 60 Consignees.

Billing

Costs for Tasks 1a through 1c will be billed after they are completed and after receipt and acceptance of deliverables by WCI, Inc., ARB, and/or Minister. Task 1d will be billed separately after it is completed, if Deutsche Bank’s participation is needed in the practice auction. Recurring costs for auctions and reserve sales will be billed after completion of each auction and reserve sale and after receipt and acceptance of each auction’s and reserve sale’s deliverables by WCI, Inc., ARB and/or Minister. All invoices are payable 30 days after receipt of invoice.

Deutsche Bank will bill WCI, Inc. for the full cost of joint auctions. Deutsche Bank will continue its current billing practices for all CA-only auctions and CA reserve sales currently addressed under separate agreement between Contractor and CA and will not bill WCI, Inc. for any costs associated with CA-only events covered by current ARB contracts.

Total Cost

The total, not-to-exceed cost of this proposal is [redacted] as summarized in the table below. This cost assumes DB’s participation in a practice auction, two Quebec-only auctions of 101-200 participants, seven joint auctions of 200 – 300 participants, seven CA reserve sales, and six Quebec reserve sales.
Cost details have been removed from the public document for business confidentiality and competitiveness reasons.

<table>
<thead>
<tr>
<th>Task 1 (one-time costs)</th>
<th>Including practice auction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quebec-only auction</td>
<td>2</td>
</tr>
<tr>
<td>Joint auction</td>
<td>7</td>
</tr>
<tr>
<td>California-only reserve</td>
<td>7</td>
</tr>
<tr>
<td>Quebec-only reserve</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>[Redacted]</strong></td>
</tr>
</tbody>
</table>
## Work Plan and Work Schedule

<table>
<thead>
<tr>
<th>Task Name</th>
<th>Deliverable</th>
<th>Date/Time of Completion</th>
</tr>
</thead>
</table>
| **Task 1a.** Review and consideration of regulations.  
Development and documentation of procedures. | Financial qualification procedures, financial settlement procedures, and financial assurance procedures for a QC-only auction, joint auctions, and QC reserve sales. Delivery will be made to and verified by CA or QC, as appropriate. | Procedures for QC auction and reserve sale completed by Oct 4th and documentation provided by Nov 16th. Documented procedures for joint auctions provided by Jan 16th. |
| **Task 1b.** Training  
(includes translation of training materials). | Ongoing participation in and contributions to participant webinars and presentations, as well as auction and reserve sale user guides. | As needed                                                                                 |
<p>| <strong>Task 1c.</strong> System configuration and specialized reporting. | Reconciliation report template and financial service-related forms, reports, and instructions used in the auction platform. Delivery will be made to WCI, Inc., CA, QC, and Operator if applicable. | No later than October 4th                                                               |
| <strong>Task 1d.</strong> Practice Auction. | Participation in the practice auction, as well as pre- and post-auction planning and analysis activities coordinated by WCI, Inc., CA, QC, and Operator. | To be determined                                                                         |
| <strong>Task 2a.</strong> Financial qualification application processing. | Cash position csv file sent via secure ftp to Operator, detailing financial services accounts. Contractor will send daily email to CA, QC and WCI, Inc. confirming status of completion of Task 2a. | Daily during an open auction application window                                           |
| <strong>Task 2b.</strong> Account setup, review and acceptance of financial guarantees. | Cash position and security holding csv files sent via ftp to Operator, and to ARB and Minister upon request. Contractor will send daily email to CA, QC and WCI, Inc. confirming status of completion of Task 2b. | Daily, during, and after an open auction application window with final file expected two (2) business days after the bid guarantee submission deadline. |</p>
<table>
<thead>
<tr>
<th><strong>Task 3a.</strong> Conduct financial settlement</th>
<th>Post auction/reserve sale reconciliation files detailing cash payments received and all funds on account for distribution of proceeds. Delivery will be made to QC and ARB if auction is a joint auction. Email notification of completion of task and availability of the reconciliation file will be provided to CA,QC and WCI, Inc.</th>
<th>Each business day during the seven (7) day payment period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Task 3b</strong> Return of financial guarantees.</td>
<td>Interim final reconciliation report confirming all funds received for payment of proceeds and the return of all bid guarantees. Delivery will be made to QC and ARB by secure ftp if auction is a joint auction. Email notification of completion of task and availability of the reconciliation file will be provided to CA,QC and WCI, Inc.</td>
<td>No later than 3 business days after the payment due date.</td>
</tr>
<tr>
<td><strong>Task 3a</strong> Disburse proceeds</td>
<td>Final reconciliation report detailing cash payments received, and date and amount of distribution of proceeds. Delivery will be made to QC and ARB if auction is a joint auction. Email notification of completion of task and availability of the final reconciliation file will be provided to CA, QC and WCI, Inc.</td>
<td>Within 1 business day of instructions from ARB and/or QC to proceed with distribution of proceeds.</td>
</tr>
<tr>
<td><strong>Task 4.</strong> Consignee setup and payments.</td>
<td>ARB Consigned allowances statements generated and sent to Consignees and ARB and payments processed. (Final auction reconciliation file noted in 3a above will include listing of consignee payments made.)</td>
<td>Within 1 business day of instructions from ARB to proceed with distribution of proceeds.</td>
</tr>
</tbody>
</table>
1. Disclaimers

A. Caveats
- This proposal is subject to satisfactory documentation review of the transaction as well as our own internal credit, conflict and approval process for both new transactions and new clients.
- All documentation will be subject to New York law, unless otherwise specified in the governing documents.
- If the aforementioned transaction should fail to close for any reason or without our appointment, we reserve the right to charge our acceptance fee plus reimbursement for legal fees and costs associated with due diligence on the transaction.

B. Disclosures
- We reserve the right to review our fee arrangement should circumstances warrant.
- You are responsible for extraordinary expenses and fees for the performance of services not contemplated at the time of the execution of the documents or not specifically covered in this proposal. Such extraordinary fees and expenses include, but are not limited to those arising from Bondholder meetings, activities relating to default and workout situations, travel and travel-related expenses, and amendments and releases.
- Any travel expenses for DB personnel in support of this program will be billed to WCI, Inc. at cost. Said travel to be preapproved in writing by the WCI Inc. Executive Director.
- If you choose to use other services provided by DB or any of its affiliates, we may be allocated a portion of the fees earned.
- We will provide periodic account statements describing transactions executed for your account(s). Trade confirms will be available upon your request at no additional charge.
- For multi-currency financing arrangements, we may also place orders to buy/sell currencies with any of our affiliates. These transactions (for which normal and customary spreads may be earned) will be executed by such affiliates on a principal basis solely for your account(s) and without recourse to us or any such affiliates.

C. Important Information about Procedures for Opening a New Account
To help fight the funding of terrorism and money laundering activities, Deutsche Bank obtains, verifies, and records information that identifies individuals or entities that establish a relationship or open an account with DB.
What this means: We will ask for the name, address, tax identification number and other information that will allow us to identify the individual or entity who is establishing the relationship or opening the account. We may also ask for formation documents such as articles of incorporation, an offering memorandum, or other identifying documents to be provided.

D. The Following Applies to Non-US Correspondent Banks Only
The U.S. Department of the Treasury requires all U.S. banks to notify their correspondent banks as follows: Pursuant to U.S. regulations issued under section 311 of the USA PATRIOT Act, 31 CFR 103.188 and 103.192, we are prohibited from opening or maintaining a correspondent account for, or on behalf of, VEF Banka (Republic of Latvia) or any of its subsidiaries (including Veikmes Lizings) and branches (including offices in Riga, Latvia, and the Czech Republic) or the Commercial Bank of Syria or any of its subsidiaries (including Syrian Lebanese Commercial Bank).
The regulations also require us to notify you that your correspondent account with our financial institution may not be used to provide Commercial Bank of Syria or any of its subsidiaries, or VEF Banka (Republic of Latvia) or any of its subsidiaries (including Veikmes Lizings) and branches (including offices in Riga, Latvia, and the Czech Republic) with access to our financial institution. If we become aware that Commercial Bank of Syria or any of its subsidiaries, or VEF Banka (Republic of Latvia) or any of its subsidiaries (including Veikmes Lizings) and branches (including offices in Riga, Latvia, and the Czech Republic) are indirectly using the correspondent account you hold at our financial institution, we will be required to take appropriate steps to prevent such access, including terminating your account.