

The purpose of this Board of Governors (Board) Committee Charter is to establish the responsibilities and administration of the ADR/AUDIT COMMITTEE. Within this document, the following is contained:

- I. Members
- II. Purpose & Areas of Responsibility
- III. Administration
- IV. Secretary of the Committee

MEMBERS

BE IT RESOLVED that an ADR/AUDIT Committee of this Board of Governors ("Committee") hereby is established consisting of two members currently serving on the Board. The Committee members are to be elected by the Board; one of the Committee members shall be appointed by the Board as the Committee's chair.

PURPOSE & AREAS OF RESPONSIBILITY

BE IT FURTHER RESOLVED that the Committee shall perform the Alternative Dispute Resolution (ADR) obligations set forth in Section 13 of the ISO Tariff and shall review the Corporation's financial reporting process, internal controls and codes of conduct of this Board of Governors and the employees of the Corporation.

More specifically, with regard to its ADR responsibilities the Committee shall:

- ⇒ Advise and assist the Board with respect to the operation of the ADR procedures set forth in Section 13 of the ISO Tariff, including the making of any appropriate recommendations regarding necessary additions or modifications to those procedures.
- ⇒ Consistent with Section 13 of the Tariff, the Committee shall, either directly or through delegation to ISO staff of third-party ADR providers:
 - Publish summary information regarding ADR activities (claims, decisions, appeals, etc.) on the ISO website or using other methods;
 - Review the claims on a periodic basis and advise the Board on the trends of the claims and any policy implications resulting from those trends;
 - Maintain a list of qualified potential mediators;
 - Maintain a list of qualified potential arbitrators and access to referrals from appropriate established third-party ADR service providers; and

- Compile standard procedures for arbitration of disputes, based on the rules of an established third-party ADR service provider, such as the AAA Commercial Arbitration Rules.

More specifically, with regard to its Audit responsibilities the Committee shall:

- ⇒ Recommend to the Board a firm to engage as the Corporation's independent auditors, and if warranted, in the discretion of the Committee, recommend to the Board the termination of that engagement; assess the ongoing independence of the Corporations' independent auditors, including assessment of any non-auditing services to be provided to the Corporation by the independent auditors.
- ⇒ Provide that the Corporation's independent auditors report directly to the Committee.
- ⇒ Review and report to the Board on the planned scope and execution of the independent auditor's financial statement audit, including any special audit procedures.
- ⇒ Review with appropriate Corporation officials and the independent auditors all material accounting policies and practices.
- ⇒ Review, in its discretion, any material communication between the Corporation's management and independent auditors, including written communications for improvement in processes and related internal controls.
- ⇒ Review with appropriate Corporation officials, internal auditors, and the independent auditors the adequacy of the internal accounting and control environment, both as it relates to the Corporation's direct financial reporting systems and with respect to the market systems the Corporation manages for transactions in the markets administered by the Corporation, and satisfy itself that any material weakness in such control environment, and any material weakness in the implementation of any procedures thereunder, are being corrected in a timely manner.
- ⇒ Review the Corporation's annual financial statements and be informed of any significant disagreement between management and the independent auditor that arose in connection with the audit of those statements.
- ⇒ Review and report to the Board on the Corporation's policies and procedures regarding compliance with the law and with significant Corporation policies, including but not limited to, codes of conduct as provided in the Corporation's Bylaws or related to business ethics, legal compliance, and other matters of business and employee conduct, and programs of legal and other compliance designed to prevent and detect violations of the law and the Corporation's codes of conduct.

- Review the implementation of the Compliance Program and provide direction to the Chief Compliance Officer and with respect to compliance activities.
- Review the process for identifying and assessing risks, evaluating the impact on corporate objectives, and managing, reporting, and controlling enterprise risks.
- Review the implementation of the Internal Audit program, including significant audit findings, corrective actions, and Audit Plans (annual and long term).
- If necessary, or as requested or approved in advance by the Board, institute special investigations and, if appropriate, hire special counsel or experts to assist and make recommendations to the Board related thereto.
- Perform such other oversight duties and responsibilities as may be assigned to the Committee, or from time to time, by the Board and/or Chair of the Board.

ADMINISTRATION

BE IT FURTHER RESOLVED that the Committee:

- The committee is accountable to the Board of Governors.
- Shall fix its own time and place of meetings, at least quarterly, and shall prescribe its own rules of procedure, consistent with the requirements of the Bylaws. Meetings may be called by the Chair of the Committee or the Chair of the Board. All meetings shall be held pursuant to the Bylaws and Open Meeting Policy of the Corporation with regard to notice and waiver thereof, and written minutes of each meeting shall be duly filed in the Corporation's records.
- A quorum of the Committee shall consist of both of its members.
- At a minimum, the Committee shall review and update the committee charter on an annual basis.

SECRETARY OF THE COMMITTEE

BE IT FURTHER RESOLVED that, unless otherwise designated by the Corporate Secretary of this Corporation or the Committee in consultation with the Corporate Secretary, the Corporate Secretary shall serve as the Secretary to the Committee.