

**Date:** January 8, 2010  
**To:** Texas Reliability Entity, Inc. Board of Directors (Board)  
**From:** Larry Grimm, Texas Reliability Entity, Inc., President & CEO  
**Subject:** Approval of Initial Nominating Committee

**Texas Reliability Entity Meeting Date:** January 18, 2010  
**Agenda Item No.:** 8

**Issue:**

Approval of Nominating Committee to recommend Independent Director candidates for approval by the Members.

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**Background/History:**

Texas Reliability Entity, Inc. was formed on January 1, 2010 with four Formation Directors, who will serve as the “Initial Directors” under the Bylaws. The duties of the Initial Directors include, among other things, forming a Nominating Committee to recommend Independent Directors candidates for approval by the Members. Article IV, Section 2(c)(1) and Article IV Section 2(c)(2) of the Bylaws requires the Initial Nominating Committee to consist of the Initial Directors except the Management Director (the Chief Executive Officer), and at least two other persons selected by these Initial Directors to represent the interests of the Membership. The Chairman of the Public Utility Commission of Texas may choose to participate on the Nominating Committee. The Nominating Committee may retain an executive search firm to locate and present candidates with the required qualifications.

The Nominating Committee will screen (or authorize the executive search firm to screen for it), interview, and recommend qualified candidates to the Members, by at least a two-thirds majority, consistent with the objectives that the Board as an entirety shall reflect expertise in the areas of technical electric operations and reliability, legal, senior corporate leadership, financial, risk management, and regulatory matters, and familiarity with regional system operation issues in the ERCOT Region.

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**Key Factors Influencing Issue:**

- The Initial Directors must form a Nominating Committee to recommend qualified Independent Director candidates to the Members.
  - The Nominating Committee must include at least two (2) members that are selected by the Initial Directors to represent the interests of the Membership.
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**Alternatives:**

- Select at least two individuals to serve on the Nominating Committee with the Initial Directors and represent the interests of the Membership.
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**Conclusion/Recommendation:**

Approve at least two (2) individuals to serve on the Nominating Committee and represent the interests of the Membership.

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**RESOLUTION OF THE BOARD OF DIRECTORS  
TEXAS RELIABILITY ENTITY**

, 2010

WHEREAS, the Board of Directors (Board) of Texas Reliability Entity, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Reliability Entity to form an Initial Nominating Committee to recommend qualified Independent Director candidates to the Membership, as required by the Bylaws; and

WHEREAS, the Board is required to select two (2) individuals to serve on the Initial Nominating Committee to represent the interests of the Membership, as required by the Bylaws;

THEREFORE be it RESOLVED, that the Board hereby selects the following individuals to serve on the Initial Nominating Committee to represent the interests of the Membership:

1. \_\_\_\_\_, from \_\_\_\_\_; and
2. \_\_\_\_\_, from \_\_\_\_\_.

BE it FURTHER RESOLVED, that the Board hereby forms an Initial Nominating Committee to recommend qualified Independent Director candidates to the Membership until at least three (3) and up to four (4) Independent Directors are approved by the Membership, in accordance with the Bylaws.

**CORPORATE SECRETARY'S CERTIFICATE**

I, \_\_\_\_\_, Corporate Secretary of Texas Reliability Entity, Inc., do hereby certify that, at the January 18, 2010 Texas Reliability Entity, Inc. Board of Directors Meeting, the Board approved the above referenced resolution. The motion passed by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

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Corporate Secretary