

**Pedernales Electric Cooperative
Election Policy and Procedures**
Board Approved:
~~October 15, 2018~~October 18, 2019

Pedernales Electric Cooperative Election Policy	1
Pedernales Electric Cooperative Election Procedures	3
1 Introduction	3
2 Roles and Responsibilities	3
2.1 Board of Directors.....	3
2.2 General Counsel.....	3
2.3 Qualifications and Elections Committee.....	4
2.4 Board Reporting Secretary Governance Team	4
2.5 Election Service Provider	4
3 Establishing Annual Meeting Date, Time, and Location and Election Timeline.....	4
3.1 Establishing Annual Meeting Date, Time, and Location	4
3.2 Timeline.....	5
3.3 Coordination Meeting.....	5
4 Selection of Election Service Provider	5
4.1 Annual Decision	5
4.2 Competitive Procurement	5
4.3 Criteria	5
5 Record Date(s)	6
5.1 Petition signatures	6
5.2 Casting Ballot	6
6 Preparation and Approval of Ballot	6
6.1 Non-Director Elections.....	6
6.2 Director Elections.....	7
6.2.1 Nominations.....	7
6.2.1.1 Ballot Materials and Application.....	7
6.2.1.1.1 Posting and Availability.....	7
6.2.1.1.2 Waiver	7
6.2.1.1.3 Affirmation of Eligibility and Adherence to Election Rules	7
6.2.1.1.4 Candidate Application – Use of Legal Name.....	7
6.2.1.1.5 Biographical and Platform Materials	8
6.2.1.1.6 Candidate Questionnaire.....	8
6.2.1.2 Petition Process and Signature	8

6.2.1.3 Confidentiality.....	9
6.2.1.3.1 Confidentiality – Nomination Petitions.....	9
6.2.1.3.2 Confidentiality – Candidate Election Material.....	9
6.2.1.3.3 Confidentiality – Directors Access to Candidate Information.....	9
6.2.1.4 Deadline for Candidate Application.....	9
6.2.1.5 Signature Verification	10
6.2.1.6 Qualifications And Elections Committee	10
6.2.1.7 Verification of Bylaw Qualifications.....	11
6.2.1.8 Notification to Candidate Applicants of Proposed Findings Regarding Qualifications.....	15
6.2.1.9 Recommendation of Candidate Slate	15
6.2.1.10 Approval and Certification of Ballot	15
7 Voting and Processes During Election Period	15
7.1 Candidate Orientation and Photos	15
7.2 Withdrawal from Election.....	16
7.3 Communications Plan	16
7.4 Preparation and Distribution of Ballots	16
7.4.1 Printed Ballots.....	16
7.4.1.1 Voting and Receipt of Ballots.....	17
7.4.2 Website...	17
7.4.3 Emails.....	17
7.5 Candidate Video Recording and Public Question-and-Answer	17
7.6 Candidate Photographs	18
7.7 Questions by Candidates About the Election Process	18
7.8 Membership List Availability.....	18
7.9 Campaigning on PEC Premises.....	19
7.9.1 PEC Employee Campaigning	19
7.10 Use of PEC Brand.....	19
7.11 Access to Vote Information; Updates on Voter Turnout.....	19
7.11.1 Candidates' Access to Voting History	20
7.11.2 Interim Voting Totals	20
7.12 Quality Control.....	20
7.13 Completion and Certification of Pre-Annual Meeting Quality Control, Votes Cast in Advance of Annual Meeting, and Mailing of Notice to Members	21
8 Annual Meeting and Tabulation of Votes.....	21
8.1 One Member-One Vote	21
8.2 Voting at the Annual Meeting.....	21
8.3 Proxies Prohibited.....	22

8.4 Tabulation	22
8.5 Process if Member Disputes Having Cast Vote	22
8.6 Candidate Observation of Vote Count.....	22
8.7 Determination of Outcome/Winner	22
8.7.1 Non-Director Election	22
8.7.2 Director Election	23
8.8 Completion and Certification of Post-Tabulation, Pre-Announcement Quality Control.....	23
8.9 Announcement and Certification.....	23
8.10 Post-Election Director Acknowledgments	23
8.11 Election Contests	23
9 Actions after Annual Meeting.....	23
9.1 District-by-District Results	23
9.2 Post-Election Analysis	24
Appendix A: Election Timeline	25
Appendix B: Election Service Provider Technical and Security Qualifications	28
Appendix C: Affidavit Affirming No Previous Vote Cast	30
Appendix D: PEC Corporate Statistics.....	310

ELECTION POLICY

PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose:

The Pedernales Electric Cooperative, Inc. (“PEC” or “the Cooperative”) and its Board of Directors (“Board”) recognize that matters put to a vote of Members (“PEC Elections”) are a cornerstone of PEC’s compliance with the Cooperative Principle of Democratic Member Control.

PEC further recognizes that the Internal Revenue Service has identified meaningful Democratic Member Control as a requirement for the tax exemption granted to PEC and other electric cooperatives.

The Board has retained the oversight of PEC Elections. In furtherance of the Board’s oversight of PEC Elections, this Election Policy (“Election Policy”) and accompanying Election Procedures (“Election Procedures”) are intended to ensure that PEC Elections are conducted in a fashion that maximizes and exemplifies Democratic Member Control. A copy of this Election Policy and the Election Procedures shall be included in materials made available to persons running in a Director Election (“Candidates”).

2. Scope:

PEC shall seek to increase voter awareness and turnout in PEC Elections through educational efforts, communications, programs and effective use of technology. All PEC Elections shall be conducted in a manner that is uniform, impartial and fair to all Candidates and positions that are subject to vote.

The Board recognizes that consistent, credible PEC Elections are essential to maintaining Member confidence in PEC, and the key vehicle by which Members hold Directors accountable and influence the direction of the Cooperative, both through election of Directors (“Director Election”) and elections on issues of importance to the Cooperative (“Non-Director Election”). It is the policy of the Board that PEC Elections shall be administered in as impartial a manner as possible, utilizing the services of an independent, third-party (“Election Service Provider”) who will certify the accuracy of voting.

3. Policy Statement and Implementation:

PEC shall seek to maximize Member involvement and empowerment of Members in the electoral process through direct means, including the use of the Qualifications and Elections Committee called for in the PEC Bylaws. The Cooperative will, through its governing documents, policies and practices, encourage candor and maximum disclosure of actual and potential conflicts of interest by Candidates for PEC Director positions, including incumbent Directors. And, as a corollary to its Election vigilance, the Cooperative will provide robust Director removal and replacement mechanisms to address breaches of fiduciary duties by Directors.

4. Procedure Responsibilities

The procedural policies are delegated by the Board pursuant to the specifics which are detailed in the “Election Policy and Procedures,” a copy of which is attached, and incorporated herein.

5. Enforcement

Ultimate responsibility for enforcement of PEC elections lies with the Board. However, day-to-day enforcement, and any appeals, are detailed in the “Election Policy and Procedures” attached hereto, and incorporated herein.

6. Superseding Effect

This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.

7. References and Related Documents:

This Policy shall be read in conjunction with and incorporates by reference sections dealing with Elections within the Texas Electric Cooperative Act (Texas Utilities Code Chapter 161), the Member Bill of Rights and other sections of the PEC Articles of Incorporation and PEC Bylaws.

Policy Title:	Election Policy and Procedures
Review Frequency:	Annually
Last Reviewed:	<u>October 15, 2018</u> <u>October 18, 2019</u>
Date Adopted:	November 19, 2012
Effective Date:	November 19, 2012
Amendment Dates:	January 21, 2014, September 15, 2014, October 20, 2014, December 8, 2014, August 18, 2015, January 19, 2016, November 14, 2016, October 16, 2017, October 15, 2018, <u>October 18, 2019</u>
Approver:	Board of Directors
Applies to:	All PEC Board of Directors, Employees and Members
Administrator:	Legal Services
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.

Pedernales Electric Cooperative Election Procedures

1 Introduction

These Election Procedures (“Procedures”) are intended to ensure consistent compliance with the Election Policy (“Policy”) of Pedernales Electric Cooperative, Inc. (“PEC” or “the Cooperative”), applicable law, and PEC’s Articles of Incorporation and Bylaws (collectively, “Governing Documents”), which are incorporated by reference, including terms defined therein.

2 Roles and Responsibilities

2.1 Board of Directors

The Board of Directors will:

- Exercise oversight of PEC Elections in a fashion that maximizes and exemplifies Democratic Member Control
- Ensure full compliance with the PEC governing documents and the law
- Designate the PEC Election Service Provider (as defined in the PEC Bylaws)
- Determine the location, date, and time of each year’s Annual Meeting
- Approve the Election Timeline for each election
- Direct the General Counsel to draft any Ballot language needed for a non-Director Election
- Appoint members to serve as a Qualifications and Elections Committee
- Call any Special Member Meeting required by the Bylaws for any Election to fill a vacant Board seat or for any other purpose, establish a timeline for nominations, voting and elections for such Special Member Meeting, and make any modifications to these procedures needed to effectuate such an Election
- Annually consider any needed modifications to the Election Policy and these Procedures
- Perform any other functions specified by the Board in these Procedures
- Approve the final ballot presented to PEC members

2.2 General Counsel

General Counsel within the Election Policy or Election Procedures means the Board of Director’s General Counsel whether an employee or outside counsel or their designee.

The General Counsel will:

- Work to ensure PEC Elections are conducted consistent with law, PEC’s Governing Documents, Election Policy and Procedures and other directives of the Board
- Work with PEC internal departments to ensure implementation of the Election Policy and Procedures
- Make determinations on the conduct of the election and candidates, presenting issues to the Qualifications and Elections Committee or the Board of Directors as appropriate
- Apprise the Board of and provide counsel on Election-related issues
- Prepare each year’s Election Timeline

- Designate campaigning zone for PEC Annual Meeting
- Make inquiry into the Bylaw-mandated qualifications of Candidate Applicants (as defined herein) and recommend qualified Candidates to the Board for inclusion on the Ballot, as such duty is delegated by the PEC Chief Executive Officer (“CEO”)
- Craft proposed Non-Director Election Ballot language as directed by the Board
- Initiate and oversee the evaluation and recommendation to the Board of an Election Service Provider
- Serve as or designate a single point of contact for the Election Service Provider
- Annually recommend any needed modifications to the Election Policy and Procedures
- Perform such other duties related to an Election as the Board may designate

2.3 Qualifications and Elections Committee

- Working with the General Counsel, the Qualifications and Elections Review Committee appointed under the Bylaws (“Qualifications and Elections Committee”), determine whether Candidate Applicants satisfy the qualifications to be eligible for election as a director
- Recommend a slate of Qualified Candidate Applicants to the Board
- Rule on any appeals brought forward by the General Counsel regarding decisions impacting the elections prior to the Annual Meeting
- Rule on any post election contest

2.4 Board Recording SecretaryGovernance Team

The Governance Team, including the Board Recording Reporting Secretary, under the direction of the General Counsel, will:

- Coordinate and administer elections as directed and provided by this Policy and Procedures
- Perform the duties specified herein as designee of the Board Secretary
- Receive and maintain all records related to Director qualifications and nominations
- Make available to Members all required Director Election Nomination forms and related materials
- Serve as the point of contact or designate a person to provide answers to any questions about the Election process from Directors, Candidates, or Members

2.5 Election Service Provider

The Election Service Provider appointed by the Cooperative will:

- Provide services as specified in the Bylaws, Election Policy and Procedures, consistent with law and its contract with PEC
- Print, distribute, and collect the Ballots
- Tabulate and certify the election results
- Archive and manage all election materials, including destruction of materials from previous elections, according to terms of its contract with PEC

3 Establishing Annual Meeting Date, Time, and Location and Election Timeline

3.1 Establishing Annual Meeting Date, Time, and Location

At or before the August Regular Board Meeting each year, the Board will determine the date, time, and location of the next year's Annual Meeting.

3.2 Timeline

At a Regular Board Meeting at least 6 months prior to each Annual Meeting, the General Counsel or designee will develop and present to the Board a proposed timeline, with specific dates and deadlines for Election-related events, in the format shown in Appendix A of these Election Procedures ("Election Timeline"). The Board will consider, amend, if desired, and approve the Election Timeline at or before a Regular Board Meeting at least 5 months prior to each Annual Meeting.

3.3 Coordination Meeting

Upon each Board approval of an Election Timeline, the General Counsel shall convene a meeting of internal PEC personnel and representatives of the Election Service Provider to plan the overall Election Timeline and the roles and responsibilities of each individual. Attendees at the meeting shall include the Governance Team, Board Recording Secretary, the General Counsel, representatives of the Election Service Provider, and representatives from Member Services, Legal Services, Communications, and the IT departments, and such other personnel as may be necessary to coordinate and implement the Election process.

4 Selection of Election Service Provider

4.1 Annual Decision

At or before the August Regular Board meeting each year, the General Counsel will recommend to the Board whether to extend the contract for the services of the Election Service Provider then retained by the Cooperative under the Bylaws and the Board will make a determination whether to extend the contract or seek an alternate Election Service Provider. Any such extension may be implemented without competitive procurement, notwithstanding any PEC policy or procedure.

4.2 Competitive Procurement

When the Board decides to solicit for election service providers, the Board shall direct the General Counsel to initiate a competitive procurement to identify and recommend to the Board the most qualified Election Service Provider. In any such decision the Board should recognize that such procurement will typically take between four and six months. Unless the Board directs otherwise, a competitive procurement will be performed every three years.

4.3 Criteria

Criteria for recommendation or selection of an Election Service Provider will include: experience, technical capability, past performance, understanding of and ability to comply with PEC Bylaws, policies and procedures, capability to integrate with PEC IT infrastructure, and ability to preserve and enhance the credibility of the Election process. Any prospective Election Service Provider must meet the technical and security qualifications established by PEC and attached as Appendix B. Any such vendor shall establish its qualifications in this regard by providing detailed descriptions of demonstrated performance in quality-control

methods and testing, system security specifications, and policies regarding storage, transmittal, access to and retention of Member information and voting data.

An Election Service Provider may serve the Cooperative only upon having agreed not to share with any person not employed by the Election Service Provider partial or complete voting results before the final tabulated and public announcement by the Election Service Provider at a meeting of Members; provided, however, the Election Service Provider may periodically provide the vote information described in Section 7.11.

5 Record Date(s)

By adoption of these Election Procedures, under the authority specified in the Article II, Section 9 of the PEC Bylaws, the Board hereby specifies the following Record Dates for Annual PEC Director Elections:

5.1 Petition signatures

The Record Date for a Member to be eligible to sign a nomination petition is the date of the verification of the signatures by PEC, meaning that a signature will be counted when the signatory is a Member on the date of verification. This provision shall not prevent reverification of a signature on a subsequent day, if a signatory becomes a Member before the deadline for signature verification, as allowed by these procedures. This provision shall not prevent the use of signature of a Member who appears on the Cooperative's Membership List as provided by this Policy.

Member signatures on a nomination petition will also be counted as eligible petition signatures when the Member appears on the Membership List, as provided by the Cooperative to Candidate Applicants, in the Director District for which the Candidate Applicant is running.

5.2 Casting Ballot

The Record Date for a Member to cast a Ballot in a Director Election is the close of business on the fourth business day preceding the date of the Member Meeting at which the election is to be held, meaning that only parties that are Members at the close of that Record Date will be eligible to have their Ballot counted, and to be counted toward the Member Quorum for that Member Meeting. At the close of business on that Record Date, or as soon as practicable thereafter, PEC will provide the Election Service Provider with an up-to-date list of PEC Members as of the Record Date.

6 Preparation and Approval of Ballot

6.1 Non-Director Elections

The Board may, from time-to-time, submit matters under consideration by the Board to a vote of the Members. The vote in any such Non-Director Election shall be advisory only, except in such cases where a vote of Members is required by law or the PEC Bylaws, such as a vote to amend the PEC Articles of Incorporation. No later than the Regular Board Meeting 5 months prior to an election, the Board will direct the General Counsel to prepare proposed Ballot wording for any items to be put to a vote in a Non-Director Election. Any such matters will be presented by the General Counsel in a way to enhance Member understanding of such measures, including any Board recommendation or position concerning such a vote.

6.2 Director Elections

6.2.1 Nominations

6.2.1.1 Ballot Materials and Application

6.2.1.1.1 Posting and Availability

The Governance Team~~Board Recording Secretary~~ will work with the PEC Communications and Member Services departments to ensure one week prior to the date of the Regular Board Meeting 5 months prior to each election, the following items are made available to PEC Members on the PEC website and in PEC offices: Nominations applications and petitions; Director District map(s); Election timeline; PEC Bylaws; PEC Conflict of Interest Policy; and Conflict of Interest certification and disclosures; PEC Election Policy and Procedures; information about Membership List availability and procedures for obtaining and use of the list.

6.2.1.1.2 Waiver

The application form for Board candidacy will include a waiver, which all persons seeking nomination to the Ballot ("Candidate Applicants") must execute to authorize PEC or its agent to perform background checks to verify the Candidate Applicant meets the Bylaw qualifications to serve as Director.

6.2.1.1.3 Affirmation of Eligibility and Adeherence to Election Rules

Candidate Applicants must affirm that the Candidate Applicant meets PEC Bylaw eligibility requirements to serve as a Director both at the time the application is filed and after the Candidate becomes a Director, if elected. Each Candidate Applicant must provide their date of birth, address history and other information, including specific questions or requests for information, the General Counsel deems necessary to confirm that the Candidate Applicant meets Bylaw requirements to serve as a Director.

Candidate Applicants must affirm that the Candidate Applicant will adhere to the policies, rules, requirements, or procedures established by the Cooperative for Director Elections.

6.2.1.1.4 Candidate Application – Use of Legal Name

Candidate Applicants shall provide their legal name on the application to indicate the name as they wish it to appear on the Ballot. Names must be in a form substantially similar to the Member's legal name; however, the name may contain "commonly-known-as" nicknames or abbreviated, diminutive forms of the legal name. Nicknames shall not be allowed if they are created solely for use in a PEC Director election. Titles, forms of address, designations, honorifics, professional titles or other credentials, such as education, military rank, or occupation, are prohibited. PEC shall publicly disclose and use the Ballot name provided by the Candidate Applicant in all election materials.

6.2.1.1.5 Biographical and Platform Materials

Candidate Applicants must provide biographical material in electronic format that can be opened by Microsoft Word to the ~~Board Recording Secretary Governance Team~~ (as designee of the Board Secretary), as part of the application. Biographical materials are limited to 800 words, in the following required format: single spacing, Arial font with 11 point size, containing personal background information and the Candidate's stance on matters of importance to PEC and its Members. Word count will be measured using the Word Count function of Microsoft Word. If a Candidate Applicant submits biographical materials exceeding 800 words, or with incorrect spacing or incorrect font, the ~~Board Recording Secretary Governance Team~~ will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to biographical materials until the deadline for submission of application materials. Each Candidate Applicant is solely responsible for the content of his or her submitted biographical materials (including grammar, spelling, and punctuation) and PEC staff will not proofread, edit or otherwise alter any biographical materials, other than to truncate any biographical materials exceeding 800 words or to format in PEC election materials in order to efficiently utilize space or provide consistency. PEC will distribute Candidate Biographical Materials and Candidates' photographs by email to all PEC Members who receive PEC email notifications.

6.2.1.1.6 Candidate Questionnaire

Candidate Applicants have the option to complete and provide a board Candidate Questionnaire in electronic format that can be opened by Microsoft Word to the ~~Board Recording Secretary Governance Team~~ (as designee of the Board Secretary), as part of the application. Candidate Questionnaire materials are limited to 400 words excluding questions. Word count will be measured using the Word Count function of Microsoft Word. If a Candidate Applicant submits Candidate Questionnaire materials exceeding 400 words (excluding questions), the ~~Board Recording Secretary Governance Team~~ will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to Candidate Questionnaire materials until the deadline for submission of application materials. Each Candidate Applicant is solely responsible for the content of his or her submitted Candidate Questionnaire materials (including grammar, spelling, and punctuation) and PEC staff will not proofread, edit or otherwise alter any Candidate Questionnaire materials, other than to truncate any Candidate Questionnaire materials exceeding 400 words (excluding questions). PEC will distribute Candidate Questionnaire by email to all PEC Members who receive PEC email notifications.

6.2.1.2 Petition Process and Signature

To be nominated and included on the Ballot for a Director Election, a Candidate Applicant must submit verifiable signatures of at least 50 PEC Members with Voting Residence (as defined in the Bylaws) within the Director District for which the Candidate Applicant is seeking nomination, along with a conflict-of-interest certification and disclosure form as required by the Bylaws. Executed conflict-of-interest and code of conduct forms shall be posted to the PEC website along with other election and candidate information. **Any signatures submitted by a Candidate Applicant must be**

originals, not copies, submitted on the petition form promulgated by the Cooperative during the year in which the election is held, or a copy of such a form.

No Candidate Applicant will be given access to a nomination petition form before such time as those forms are made available to all Members on the PEC website and at PEC offices. A Member may sign the petition of more than one Candidate Applicant. For Joint Memberships, as that term is defined in the Bylaws, either spouse may sign a petition, but only one signature from any joint membership will be counted for any Candidate Applicant. Any officer of an entity Member, as listed in Texas Secretary of State records, or any person listed in PEC's records as authorized to act on behalf of an entity Member, may sign a petition on behalf of that entity Member. Petition forms will include spaces for the printed name, signature, address and Membership List line number to assist in verification of signatures (see 6.2.1.5 below).

6.2.1.3 Confidentiality

PEC employees performing duties under these procedures shall, to the fullest extent practicable, keep confidential the name of any Member who has made inquiry about seeking nomination, or has identified him or herself as a Candidate Applicant or potential Candidate Applicant, unless such Member has consented to such disclosure or has publicly made known his or her intended candidacy. Candidate Applicant names, as provided by the Candidate Applicant in the nominations and petitions Application, may be disclosed publically, in alphabetical order by Director District, at or after the time their names have been disclosed to the Qualifications and Elections Committee. Candidate Applicant names may be disclosed to the Qualifications and Elections Committee Members the first business day following the Candidate Application and Petition deadline. All information received from a Candidate Applicant ("Candidate Information"), is confidential until Candidate Applicant names are disclosed publically by PEC. Upon request and after names are disclosed publicly by PEC, PEC may release Candidate Information, including Candidate Applications as provided by this policy. Candidate Application materials may be released pursuant to PEC's Open Records Policy which includes exceptions to disclosure. The Member Privacy Policy does not apply to Candidate Application materials unless otherwise provided herein.

6.2.1.3.1 Confidentiality – Nomination Petitions

All signatory-specific information on nomination petitions submitted to PEC by a Candidate Applicant is private Member information under the Member Privacy Policy, not subject to disclosure under Open Records Policy.

6.2.1.3.2 Confidentiality – Candidate Election Material

All Candidate Applicant Biographical and Platform Materials, and Questionnaire, are confidential until candidates are Qualified and approved for the Ballot. PEC shall publically disclose Qualified Candidate Biographical and Platform Materials, Questionnaire, at the same time and at least 5 days before Voting begins.

6.2.1.3.3 Directors access to Candidate Information

Directors may not seek or be provided access to Candidate Information by PEC employees, except as necessary for such Directors to perform duties mandated by law, PEC Governing Documents or this Policy, notwithstanding Directors' usual access to confidential Cooperative information.

6.2.1.4 Deadline for Candidate Application

To be considered for inclusion on the Ballot for election as a Director, a Candidate Applicant must deliver by hand or certified, trackable delivery method with signature required, a completed original application and petitions to the ~~Board Recording Secretary Governance Team~~ (as designee of the Board Secretary) at PEC Headquarters, 201 South Avenue F, Johnson City, Texas, 78636, no later than 5 p.m. on the last business day falling 82 days or more before the date of the Annual Meeting. Delivery to an alternate PEC address, delivery after the deadline, or mailing an item with a postmark before the deadline will not satisfy this requirement and will result in the application's rejection.

6.2.1.5 Signature Verification

The PEC Member Services Department will verify the signatures on petitions by Candidate Applicants. A signature will be accepted as an eligible petition signature when the signer is identified in PEC account records as a Member with Voting Residence within the district for which election is being sought.

Member signatures on a nomination petition will also be counted as eligible petition signatures when the Member appears on the Membership List, as provided by the Cooperative to Candidate Applicants, in the Director District for which the Candidate Applicant is running.

Signatures that cannot be identified because they are illegible or cannot be matched to an active PEC Member will not be counted as verifiable signatures.

Member Services will verify signatures in the order they are presented on petitions, and will stop the verification process once 50 signatures have been verified, or when the list of signatures is exhausted without having reached the qualifying number. Members Services will notify the General Counsel and the ~~Board Recording Secretary Governance Team~~ and provide a written summary of findings regarding signature verification.

Candidate Applicants are strongly encouraged to gather and submit more than 50 signatures to provide a margin of error for disallowed signatures. If time allows before the Candidate Application and Petition deadline, the ~~Board Recording Secretary Governance Team~~ will inform Candidate Applicants of the circumstances of questionable signatures. Candidate Applicants may submit supplemental signatures or request a reevaluation of signatures based on Members' changing account records until the deadline for submitting signatures (e.g., if a person has had himself or herself added to a Joint Membership in PEC's records).

6.2.1.6 Qualifications And Elections Committee

At least a week before the Regular Board meeting 4 months prior to an election, each Director may submit to the ~~Board Recording Secretary Governance Team~~ the name of a person or persons residing in the Director's District eligible and willing to serve on the Qualifications and Elections Committee, as described in the Bylaws. At the Regular Board meeting 4 months before an election, the Board will appoint the Qualifications and Elections Committee, with no less than three (3) nor more than seven (7) members, preferably with one member from each Director District.

The resolution will set compensation, if any, deadlines, reimbursement, allowances for telephonic meetings, and any other terms specified by the Board, and will specify that

the Committee shall operate in accordance with the Bylaws and these Election Procedures.

Members of the Qualifications and Elections Committee will have access to personal candidate information. The Qualifications and Elections Committee will use personal candidate information only as needed for service on the Qualifications and Elections Committee and will not further disclose the information unless required as a matter of law.

6.2.1.7 Verification of Bylaw Qualifications

The Qualifications and Elections Committee, with the assistance of the General Counsel, will recommend and report to the Board whether Candidate Applicants are qualified and eligible for election or service as a Director in Article III of the PEC Bylaws. The Qualifications and Elections Committee will recommend a slate of qualified Candidates to the Board for inclusion on the Director Election Ballot. Before attempting to verify the substantive qualifications described in the Bylaws and below, the Qualifications and Elections Committee will determine whether the Candidate Applicant has submitted required signatures, verified under Sec. 6.2.1.5 of this policy, and completed the conflict-of-interest certification and disclosure form required by the Bylaws. Upon request by the Qualifications and Elections Committee, a Candidate Applicant must provide information necessary to confirm that the Candidate Applicant meets Bylaw requirements to serve as a Director. Any requested information should be reasonably tailored to seek only the information necessary for a determination. In all matters, the Qualifications and Elections Committee shall assume the truth of matters asserted by Candidate Applicants, and act accordingly, unless the Committee has identified a reasonable and specific basis for acting otherwise. The General Counsel will retain an independent third-party background verification firm ("Background Verifier") to assist the Qualifications and Elections Committee in verification of the following eligibility requirements as described below:

- a) Be twenty-one (21) years of age or older on or by the date of the Member meeting at which the election is held;

Background Verifier will attempt to locate voter registration information or driver's license for a Candidate Applicant, which will provide proof of age. If no voter registration or driver's license is found, a Candidate Applicant will be asked to provide a birth certificate, passport or other proof of age.

- b) Have earned a high school diploma from an accredited institution, or obtained state certification through General Educational Development tests (GED), by the date of the Annual Meeting at which the Director is elected;

Candidate Applicant will be asked to provide proof of having received the required credential, which may include degrees earned or other subsequent achievements that require such diploma or GED as prerequisites (e.g. law enforcement certification or other professional licensing requiring such a degree).

- c) Be a United States citizen;

Background Verifier will attempt to locate voter registration information for a Candidate Applicant, which will provide proof of citizenship. If no voter registration is found, a Candidate Applicant will be asked to provide a birth certificate, passport or other proof of United States citizenship.

- d) Be a Member in good standing of the Cooperative, by having met and adhered to the Cooperative's payment policies in accordance with credit requirements contained in the Cooperative's Tariff and Business Rules, as amended from time to time, and any other requirements for membership in good standing established by Board resolution;

The PEC Member Services department will verify the Candidate Applicant's membership in the Cooperative and will review the billing history of the Candidate Applicant to verify good standing. Findings will be provided to the General Counsel for transmittal to the Qualifications and Elections Committee.

- e) While a Director and during the five (5) years immediately prior to becoming a Director, not have been an employee of the cooperative;

The PEC Human Resources and Finance Departments will review employment and other records for indications that the Candidate Applicant has been an employee, and will provide any relevant information discovered to the General Counsel for transmittal to the Qualifications and Elections Committee. The Candidate Applicant's affirmation of eligibility will be relied upon as to relatives' prior employment or Board service. If the Qualifications and Elections Committee or General Counsel becomes aware of potential disqualification under this provision, the Cooperative staff will assist in the effort to confirm those circumstances.

- f) While a Director, not have a child, spouse, domestic partner, parent, sibling, parent-in-law, stepchild, grandparent, or grandchild who is an employee or Director of the Cooperative;

If the Qualifications and Elections Committee or General Counsel becomes aware of potential disqualification under this provision, the Cooperative staff will assist in the effort to confirm those circumstances.

- g) Have his or her primary residence receiving continuous electric service from the Cooperative for one year, and be located at the beginning of the calendar year of the election, in the district for which election is sought. Primary residence shall be determined based on factors including, but not limited to, real property rights, homestead exemption, electricity usage patterns, voter registration location, and address on a driver's license;

Background Verifier will research the factors listed above and complete a standardized report to the General Counsel, identifying the indicators supporting or contradicting the Candidate Applicant's primary residence within the district where election is sought. The PEC Member Services Department will research and report to the General Counsel on the continuity of electric service at the address. The General Counsel and the Qualifications and Elections Committee may seek clarification from the Candidate Applicant regarding information provided by Background Verifier or Member Services.

h) Annually complete and sign a conflict-of-interest certification and disclosure form approved by the Board of Directors;

The General Counsel will verify that any incumbent Director running for reelection has met this requirement, and that any non-Director Candidate Applicant has executed the same, separately-required form for Candidates under the Bylaws.

i) While a Director and during the three (3) years immediately prior to becoming a Director, not have sought to advance or have advanced the individual's pecuniary interest by competing with the Cooperative or by having a financial interest or relationship that would likely impair the ability of the Director to serve the best interests of the Cooperative, if that impairment presents a conflict with the interests of the Cooperative. The receipt of retirement compensation or other passive income, in and of itself, is not a conflicting financial interest. Examples of competing or conflicting interest include, but are not limited to, employment or service, including as a consultant, sales representative, trustee, director, or agent, with:

- i. a consultant, contractor, or vendor of the Cooperative;
- ii. a financial institution which has engaged in financial transactions with the Cooperative; or

The Qualifications and Elections Committee will use its discretion, as advised by the General Counsel, to determine whether this qualification has been met. The determination will be based upon information provided by the Candidate Applicant under the Bylaws [or this Policy](#), including biographical information and the conflict-of-interest certification and disclosure form. The Committee may consider other sources of information, including public documents presented to or gathered at the direction of the Committee.

j) Not be or have been convicted of a misdemeanor involving moral turpitude or a felony pursuant to state or federal laws;

Background Verifier will conduct a criminal records check of Candidate Applicants and report findings to the General Counsel. "Moral turpitude" will have the meaning ascribed to it in Texas administrative and case law.

k) Not currently be a member of the Qualifications and Elections Committee described herein;

This qualification will be self-evident.

l) Not have been previously removed or disqualified as a Director as provided for under these Bylaws;

General Counsel will determine and report to the Qualifications and Elections Committee whether this qualification has been met.

m) Have the capacity to enter into legally binding contracts;

Beyond the age verification called for previously, no actions will routinely be taken to verify this qualification beyond receiving a Candidate Applicant's certification of eligibility and the winning Candidate's Affirmation to that effect. However, the General Counsel and the Qualifications and Elections Committee will make inquiry into any potential violation of which they become aware.

- n) Be willing to devote such time and effort to his or her duties as a Director as may be necessary to oversee the Cooperative's business and affairs including: except as otherwise provided by the Board of Directors for good cause, beginning with election to the Board of Directors, attend at least seventy-five (75) percent of all regular and special called Board Meetings during each period from Annual Meeting to Annual Meeting; and obtain the Credentialled Cooperative Director (CCD) designation from NRECA within the first 18 months after election to the Board; attend state and national association meetings and Director continuing education training as needed to maintain current knowledge and improve awareness of potential risks to the Cooperative;

The General Counsel will verify with the Governance Team Board Recording Secretary that any sitting Director or former Director previously subject to this provision has fulfilled this qualification. No actions will be taken to verify other persons' qualifications in this regard.

- o) Not be employed by another Director, or be employed by an entity over which another Director exercises substantial control.

No steps will routinely be taken to verify this qualification, beyond examination of information provided by the Candidate Applicant or others, including conflict-of-interest forms and certifications. However, if the General Counsel or the Qualifications and Elections Committee becomes aware of a potential violation, they will take steps to determine whether the qualification is satisfied, including seeking information from the Candidate Applicant as allowed by the Bylaws.

- p) Execute and provide the relevant documents, waivers, or other materials reasonably needed to verify satisfaction of these qualifications, including criminal background checks to be performed by the Cooperative. A person subject to this provision shall not be requested or required to provide personal or business tax returns, financial or business records, or non-public, personal details unless legal counsel has justified and certified in writing and the majority of disinterested Qualifications and Elections Committee members have determined by record vote that conformity with Director Qualifications cannot be determined without such records. If such certification is made and the records are provided, the Cooperative and its agents shall not publicly disclose such records except with the consent of the person providing them, or in the course of a legal proceeding or as required by law.

The Qualifications and Elections Committee, with the assistance of the General Counsel, will determine whether a person refusing to execute or provide the relevant documents under this section will be disqualified for failing to meet this qualification.

- q) While a Director, act in good faith and represent the best interests of the Cooperative as a whole, representing all members on an impartial basis.

No actions will routinely be taken to verify this qualification beyond receiving a Candidate Applicant's certification of eligibility and the winning Candidate's Affirmation to that effect, but the Qualifications and Elections Committee and General Counsel will make inquiry into any potential violation of which they become aware. Any such inquiry is for purposes of determining Candidate Applicant eligibility, and not ongoing enforcement of this Bylaw provision.

6.2.1.8 Notification to Candidate Applicants of Proposed Findings Regarding Qualifications

The Qualifications and Elections Committee will provide written findings to the Governance Team Board Recording Secretary regarding each Candidate Applicant's qualifications to serve as a Director. The Governance Team Board Recording Secretary will notify each Candidate Applicant of those findings, and advise them of the schedule for the Qualifications and Elections Committee to finally determine eligibility. Any Candidate Applicant receiving notice that the Committee has preliminarily found them not to have met the Bylaw qualifications to serve as a Director will be advised of such finding and its basis, and invited to present written or other information to the Committee that supports the Candidate Applicant's qualifications.

6.2.1.9 Recommendation of Candidate Slate

At least 2 months prior to an election, the Qualifications and Elections Committee will present to the Board the slate of qualified Candidates based on the inquiry described above. The Qualifications and Elections Committee and the General Counsel will also identify and explain the circumstances of any Candidate Applicant who has been found not qualified or has otherwise not met the requirements to be a Candidate. The General Counsel will present to the Board any information submitted for the Board's consideration by any Candidate Applicant not recommended for inclusion on the Ballot.

6.2.1.10 Approval and Certification of Ballot

At a Regular Meeting of the Board at least 2 months prior to an election, the Board will consider, approve and certify the Candidate slate and Ballot language for any Non-Director Election matters for vote. Any Director will recuse himself or herself or abstain from any discussion, deliberation or vote concerning the qualifications of Candidate Applicants in any Director Election in which the Director is a Candidate Applicant. Candidates for each Director District will be considered separately, to maximize the opportunity for Directors to participate in voting. Candidate Names shall appear on the Ballot in the form and order as provided herein.

7 Voting and Processes During Election Period

7.1 Candidate Orientation and Photos

In the week preceding the April Regular Meeting of the Board each year, an orientation will be conducted by PEC staff for Candidate Applicants at the Johnson City PEC Headquarters. The agenda may include, among other things: the history of PEC; CEO remarks; Board responsibilities and time demands; compensation and legal duties of Directors; review of the Election process and timeline; the drawing of names for Ballot position and a question-and-answer period. PEC will take Candidate pictures for use in PEC-generated Election-related press and promotional material, as described in Section 7.6. Candidates for election who are

incumbent directors, or past directors, may not use any picture of themselves which was paid for, or created by PEC, for use in a PEC official capacity.

7.2 Withdrawal from Election

At any time before the Board approves the Ballot, a Candidate may withdraw from a Director Election by notifying the Governance Team Board Recording Secretary in writing or by email at election@peci.com of his or her withdrawal. Any Candidate wishing to withdraw after the Board approves the Ballot and before election results are announced at the Annual Meeting ("Withdrawn Candidate") should give written notice to the Governance Team Board Recording Secretary. The Cooperative will use reasonable methods to advise the Membership of the withdrawal. If time allows, the withdrawn Candidate's name will be removed from the paper ballot, and in that case from any electronic ballot as well. If time does not allow removal from the paper ballot, the name will remain on both the paper and electronic ballots, and the election website will not be altered to remove the Candidate's name. Any votes cast for a Withdrawn Candidate will be counted but the winner will be selected in accordance with Section 8.7.2.

7.3 Communications Plan

At or before the January Regular Board Meeting, the PEC Communications Department will present to the Board an Election Communications Plan ("Communications Plan"), outlining the communications efforts that will be employed to inform PEC members of the issues in any Non-Director Election and the Candidates, and the contact information for Members who have questions about the election process. At a minimum, the Communications Plan will include prominent references to the Election on PEC's Internet site, posting of Candidates' biographical materials and conflict-of-interest certification and disclosure form, video presentations of Candidates, use and distribution of printed materials and information on how to obtain answers to Election-related questions, obtain Ballots (including replacement Ballots), and cast Ballots; and PEC Corporate Statistics in a form approved by the Board in the Communications Plan (a sample is attached as appendix D of this policy). PEC Corporate Statistics may be communicated multiple times during the election cycle as approved in the Communications plan.

7.4 Preparation and Distribution of Ballots

7.4.1 Printed Ballots

After approval of the Ballot, the Governance Team Board Recording Secretary and General Counsel, as designees of the Board Secretary, will direct the Election Service Provider to prepare and print Ballots and accompanying biographical material ("Ballot Materials") sufficient for distribution to the appropriate PEC Members in the form specified in the Bylaws, including wording sufficient to constitute required notice of the Election, website information, and credentials for electronic voting.

Candidate's names will appear on the Ballot Materials in the order as drawn at Candidate Orientation as described in Section 7.1

Between 25 and 30 days before the Election, the Election Service Provider will, at the direction of the Governance Team Board Recording Secretary (as designee of the Board Secretary), deliver by mail Ballot Materials to the appropriate PEC Members. The Election Service Provider will mail Ballot Materials no later than 16 days before the Election to any

PEC Member that has joined the Cooperative since the date of the initial mailing of Ballot Materials.

7.4.1.1 Voting and Receipt of Ballots

Only the Election Service Provider shall accept ballots. Ballots are not to be accepted on PEC Premises or by PEC Employees, Directors or Candidates.

7.4.2 Website

The Election Service Provider will, at the time of mailing, make available on the Internet a secure website for online voting, including biographical material, and videos of Candidates recorded by PEC.

7.4.3 Emails

The Election Service Provider will on the first day of the election, send emails to all Members for whom PEC has valid email addresses with election information, voting credentials, and direct, “one-click” links that allow Members to access the voting website and vote without manually entering credentials. The Election Service Provider will send follow-up emails according to the Election Timeline approved by the Board. Members who have opted-out of receiving communications from PEC will not receive these email notifications.

7.5 Candidate Video Recording and Public Question-and-Answer

On the Thursday after the Ballot is approved by the Board, PEC will conduct a public forum at the Johnson City Headquarters at which Candidates are strongly encouraged to video record a statement for inclusion on the Election Service Provider voting website and the PEC Internet webpage. The length of the video will be five (5) minutes unless otherwise determined by the Board when it approves the Ballot, based on the number of Candidates on the Ballot and the technical capabilities of and terms of the contract with the Election Service Provider. Candidates will speak in the order determined by drawing for ballot placement, with Districts in ascending numerical order.

The moderator may allow opening and/or closing comments, depending on time and number of candidates speaking. Members may submit questions addressed to all Candidates. Questions must be in writing and provided to the forum moderator. The moderator will efficiently present the questions and may limit the time for answers. The questions and answers will be video recorded for posting on the PEC website. Questions about or applicable only to a single Candidate will not be entertained during the recorded question-and-answer session.

Any candidate unable to attend the video recording will be afforded a single make-up opportunity within seven (7) business days prior to the public forum to record their statement. If a make-up session is scheduled and the Candidate fails or is unable to appear, no additional videotaping opportunities will be offered. No make-up session following the conclusion of the public forum will be offered. If no video recording is made, the website will so note.

Candidate's videos shall be posted to the website as soon as technically practicable following the public forum.

7.6 Candidate Photographs

At the Candidate Orientation described in Section 7.1 PEC will take pictures of Candidates for use in PEC-generated Election-related press and promotional material. Alternatively, Candidates wishing to provide photographs for use by PEC must provide the image electronically before the Candidate Orientation. Candidates must affirm in writing that any such image is copyright-free and that the person has and grants PEC permission to use the photo. Photos copied or digitally scanned from driver's licenses or other sources are not acceptable. To be used, photos must meet the following criteria:

- Contain a current image or one taken within the proceeding 5 years
- JPEG or other electronic file type, with approval of PEC
- No other person pictured
- Plain background, preferably free of objects or "clutter"
- Full color
- High resolution (300 dpi or greater)
- Must be a copyright-free image or provide a no cost letter of permission or license for use
- Sized and cropped such that the height of the head is between 50 and 85 percent of the vertical dimension of the photograph.
- Taken in full-face view directly facing the camera
- Questions about the suitability of a photograph should be addressed in the manner described in Section 7.7 and submitted far enough in advance to allow preparation of an alternative photograph if the original submission is not acceptable

7.7 Questions by Candidates About the Election Process

The ~~Governance Team~~~~Board Recording Secretary~~, or designees, is the point of contact for any questions about the Election process from Members, Candidate Applicants, or Candidates. Questions must be submitted by email to election@peci.com. The ~~Governance Team, or designees, is also the point of contact for any questions by Candidates, Candidate Applicants, or Qualified Candidates, and Candidates~~ about PEC operations. The ~~Governance Team~~ ~~Board Recording Secretary~~ will provide or designate a person to provide all Candidate Applicants or Candidates copies of any question submitted and answers. Questions and answers are provided without the name of the person that submitted the question. Exceptions to this rule may be made with the approval of the General Counsel, based on sensitivity of subject matter, or in cases where a question and answer apply uniquely to a questioner.

Directors who are Candidates should likewise address election issues through the ~~Governance Team~~~~Board Recording Secretary~~ and not through the direct access to PEC staff. Questions from Directors who are Candidates should also submit their questions by email to election@peci.com.

7.8 Membership List Availability

In accordance with the Bylaws and the PEC Membership List Policy, Director Candidates and Candidate Applicants may obtain an electronic or printed list of PEC members, including member addresses, election district numbers and unique line numbers for each Member by contacting openrecords@peci.com. The Candidate requestor must provide the director district to which the member is seeking election, name, address, and other contact

information. The requestor must affirm in a sworn, notarized affidavit to use the list only for nomination or candidacy to the PEC Board of Directors and no other purpose.

7.9 Campaigning on PEC Premises

Members may not engage in Campaigning (as that term is defined herein) on PEC premises or PEC events, except at PEC-sanctioned Candidate events, or within a zone designated by the General Counsel for campaigning at PEC events. PEC premises include parking lots, the exterior and interior of PEC-operated facilities or those same areas of any facility where a Member Meeting or Board Meeting is conducted.

“Campaigning” is: the distribution of materials designed to influence the outcome of a Cooperative election; direct communications to Members designed to influence the outcome of a Cooperative election, including gathering of signatures on petitions; displays of placards, bumper stickers, signs or other campaign promotional material, other than those displayed on vehicles or on wearing apparel or accessories.

7.9.1 PEC Employee Campaigning

Employees should be mindful that PEC has established an independent election process to promote consistent and credible elections by the Membership. As such, employees should make known that any Campaigning in which they voluntarily choose to participate is on their own behalf, on their personal time and that the employee's campaign activities don't reflect any endorsement by PEC. Employees may sign candidate petitions (when they are also PEC Members) and campaign for candidates just as any other non-employee. Participation in Board Director Campaigning, however, is voluntary.

~~Employeeess~~ Employees shall not Campaign on Cooperative time, premises or use Cooperative resources for Campaigning, such as PEC phones, e-mail, or vehicles. Employees who choose to Campaign must not do so while in a PEC uniform or PEC branded apparel.

7.10 Use of PEC Brand

Candidates may not deploy web pages or other campaign materials that suggest that their candidacy is endorsed or supported by PEC, and specifically may not use any PEC logos or trademarks. “Hot links” to the PEC electronic media are acceptable. Candidates who are incumbent directors may not use their PEC provided email addresses or any PEC provided resources for correspondence related to the election.

7.11 Access to Vote Information; Updates on Voter Turnout

No PEC employee, Director, Candidate or person acting on their behalf, except as described in this Section, shall seek or accept from the Election Service Provider access to information about details of votes cast by a PEC Member or Members, other than aggregated information about voting turnout or voting methodology across the entire Cooperative, as described in this section.

PEC Employees. Only PEC employees who are specifically responsible for implementing, developing and testing registration software for use in an Election shall have access to data

indicating if a member has voted or not voted and the method by which their vote was submitted. This data shall not contain any member's individual voting selection(s).

Once weekly after Ballots are initially mailed, the General Counsel, or designee, will provide voting updates to Candidates and the Board. Those updates will be based on information transmitted by the Election Service Provider and will include the aggregate number of Ballots cast and received Cooperative-wide and by Director election district, with comparisons to similar, historical data. The updates shall include method by which votes were cast. Those updates shall not include the specific number of votes cast for any particular Candidate or issue in a Non-Director Election.

7.11.1 Candidates' Access to Voting History

After a Candidate has been duly qualified and approved to be listed on the Ballot, the Candidate may request and be provided a Voter History List that contains only the names and mailing addresses of Members who voted in any, or each, director district election for the three (3) elections involving the Candidate's director district immediately preceding the current Election. The Voter History List shall not contain any information that could indicate or otherwise reveal any selections made by the Member in the election (for example, for whom the Member voted or how the Member voted on any question). To obtain the Voter History List, a Candidate must request this information by contacting the Governance Team at election@peci.com. The accuracy and completeness of the list is undisputable. The candidate must affirm in a sworn, notarized affidavit to use the list only as directly related to the PEC Board of Directors election and for no other purpose. Any member may by written communication to the Cooperative choose to have his/her/its member information excluded from any Voter History List.

7.11.2 Interim Voting Totals

Once weekly after Ballots are initially mailed, the election status of total votes cast Cooperative-wide and by Director election district may be posted to the PEC website and released publicly. No records of a member's individual vote, or a candidates running vote total shall be disclosed.

7.12 Quality Control

Before the February Regular Meeting of the Board, the Election Service Provider shall provide PEC a list of quality-control steps to be taken before the Annual Meeting to assure the accuracy of voter rolls and vote counts ("Pre-Annual Meeting Quality Control") and after tabulation to verify the accuracy of Election results before such results are announced at the Annual Meeting (Post-Tabulation, Pre-Announcement Quality Control).

Pre-Annual Meeting Quality Control shall include, but not be limited to, the following steps:

- Verify the previous removal or remove from the voting database the votes of any person or entity that was not a PEC Member as of the close of business on the day before Annual Meeting.
- Remove from the voting database the votes of any Member that has "double voted," by submitting a paper Ballot received by the Election Service Provider after that same Member has electronically voted.
- Verify that the PEC voter registration system is loaded with the list of PEC Members as of the record date.

- Verify that the PEC voter registration system accurately reflects whether or not a Member has previously voted.

7.13 Completion and Certification of Pre-Annual Meeting Quality Control, Votes Cast in Advance of Annual Meeting, and Mailing of Notice to Members

The Election Service Provider must perform all Pre-Annual Meeting Quality Control tasks, and must certify in writing to the PEC General Counsel that each step has been completed before the day of the Annual Meeting.

Before the Annual Meeting, the General Counsel will prepare and transmit to the Governance Team Board Recording Secretary certifications of the following:

- Notice of the Annual Meeting was mailed in accordance with the Bylaws
- The number of votes cast by mail or electronically

Before the Annual Meeting, the Governance Team Board Recording Secretary will prepare for execution by the Board Secretary at the Annual Meeting, a certificate affirming that quorum was satisfied at the meeting, for filing with the official records of the Cooperative.

8 Annual Meeting and Tabulation of Votes

8.1 One Member-One Vote

Each Member shall be entitled to one (1) vote upon each matter submitted to a vote at a Member Meeting. Any officer of an entity Member, as listed in Texas Secretary of State records, or any person listed in PEC's records as authorized to act on behalf of an entity Member, may cast a vote on behalf of that entity Member.

Each Member of a Director district shall be entitled to one (1) vote upon each Director election for that individual Director district, and only Members of a Director district may vote in that Director district election

A Member's individual Director district is established by the location of the Member's Primary Account as that term is defined in the Tariff and Business Rules. For a Member with multiple accounts, a Member may request and PEC will only change a Member's Primary Account once every (3) three years.

8.2 Voting Prior to the Annual Meeting at the Annual Meeting

~~At the location of the Annual Meeting, the Election Service Provider will provide sufficient voting booths to allow for the efficient voting by Members who cast a Ballot at the Annual Meeting. The voting booths will be open for Members to cast Ballots at the time the Board establishes for the opening of the doors to the meeting. The voting booths will be closed at the time the Annual Meeting is set to begin in order to allow sufficient time for the Election Service Provider to tabulate all of the Ballots, perform its quality control related to the voting procedures, and provide the certification to the General Counsel required in Section 8.8.~~
~~The Election Services Provider will tabulate all ballots cast at a time and date -before the date of the Annual Meeting as established by the Board of Directors on the Election Timeline ("Deadline for Casting a Ballot"). At the same time, ~~T~~he Election Services Provider will perform its quality control related to the voting procedures and provide the certification to the General Counsel required in Section 8.8.~~

8.3 Proxies Prohibited

Except in instances specifically mandated by law or PEC Governing Documents, a Member may not appoint another individual person to vote on any matter for the Member.

8.4 Tabulation

The Election Service Provider will tabulate results in accordance with the PEC Bylaws. The first vote of a Member received by the Election Service Provider will be counted as the vote cast by that Member, and Members will not be allowed to change previously cast votes.

Any paper ballot received by mail at the Election Service Provider by the Deadline for Casting a Ballot before the day of the Annual Meeting shall be deemed and counted as having been cast before the deadline for mail-in balloting specified in the Bylaws, unless the Election Service Provider or PEC has conclusive information that the ballot was cast after the deadline.

Paper votes will be scanned electronically by the Election Service Provider into a data record as they are received, with questionable and zero-vote Ballots pulled, hand counted and entered into the data. Online votes will have been recorded in a data record as they were cast, with multiple levels of verification and security. Duplicate Ballots cast by Members who have already previously voted online will be removed before tabulation.

The Election Service Provider shall prevent any ballot from being cast electronically after the deadline for advance voting specified in the Bylaws.

The Election Services Provider will tabulate and count ballots in such a way to favor the intention to cast a vote on each item on a returned ballot. The Election Services Provider will examine voter marks to determine voter intent.

At the Annual Meeting, the Election Service Provider will ~~announce the validate the Ballots cast, tabulate the Ballots, and combine those records into~~ vote totals for each Director election district.

8.5 Process if Member Disputes Having Cast Vote

If a Member disputes a record showing they have previously cast a Ballot, a new Ballot may be cast by the Member and counted only upon a written affirmation signed by the Member that he or she has not previously voted, example attached as Exhibit C. For any Joint Membership, such a written affirmation must be signed by both Joint Members to be effective.

8.6 Candidate Observation of Vote Count

Any Candidate may observe or designate a single person to observe the counting and tabulation of Ballots at the Annual Meeting. Depending on the number of Candidates, space limitations, and the need to maintain order, observers may need to rotate into and out of the Ballot counting room.

8.7 Determination of Outcome/Winner

8.7.1 Non-Director Election

Members shall be deemed to have approved an option in a Non-Director Election if: (1) a Member Quorum, as defined in the Bylaws, is present, and (2) the Non-Director Election option receives the highest number of votes.

8.7.2 Director Election

The Candidate for each Director Position receiving the highest number of votes shall be elected, unless the Candidate receiving the highest number of votes is a Withdrawn Candidate, in which case the non-withdrawn Candidate receiving the highest number of votes shall be elected. In the event of a tie, the winner shall be determined by a drawing by lot to be conducted by the Election Service Provider. In the event of a tie in a Director Election, in conducting a drawing by lot, a representative of the Election Service Provider will place in a box as many slips of paper as there are nominees in the tie, with a single slip marked "elected" and the remaining slips marked "not elected." In alphabetical order by last name, each of the Director Candidates in the tie shall blindly draw one (1) slip from the box. The Director Candidate drawing the slip marked "elected" shall be elected to the Director position in question.

8.8 Completion and Certification of Post-Tabulation, Pre-Announcement Quality Control

After tabulation, and before the results are announced, the Election Service Provider must certify in writing to the PEC General Counsel all Post-Tabulation, Pre-Announcement Quality Control steps were taken.

8.9 Announcement and Certification

At the conclusion of validation and tabulation of the Ballots and certification of quality control, the Election Service Provider representative will announce the results at the Annual Meeting, and will provide a written certification of the results to the Governance Team, Board Recording Secretary for inclusion in the Minutes of the Annual Meeting and first Regular or Special Meeting of the Board after the Annual Meeting. If any Candidate is a Withdrawn Candidate, the Election Service Provider shall announce that that Candidate is a Withdrawn Candidate and that that Candidate is ineligible to be elected notwithstanding the number of votes cast for that Candidate.

8.10 Post-Election Director Acknowledgments

Immediately after the conclusion of the Annual Meeting, all elected Directors must execute and deliver to the Board Recording SecretaryGovernance Team (i) the conflict-of-interest disclosure form, (ii) the Director Affirmation as to their eligibility to be a Director, and (iii) the acknowledgment of the Directors' Code of Conduct.

8.11 Election Contests

The General Counsel shall be the arbiter of any issue related to PEC Elections, subject to appeal to the Qualifications and Elections Committee. Any challenge to the election must be filed at the Pedernales Electric Cooperative Headquarters, located in Johnson City, Texas by 5pm on the third business day following the Annual Meeting.

9 Actions after Annual Meeting

9.1 District-by-District Results

Within five business days of the Annual Meeting, the Election Service Provider will provide to PEC a breakdown of voting results by district, showing the total number of Members from each district that voted, the total number from each district voting for each Candidate or Non-Director Election Ballot item, and the total number from each district that voted but did not cast a vote in a race or Non-Director Election matter.

9.2 Post-Election Analysis

Within two months after the Annual Meeting, the General Counsel will conduct a review of all facets of the PEC Elections, and will present to the Board any recommended modification to PEC Election Policy or Procedures.

Appendix A: Election Timeline (SAMPLE)			
Item	Section	Party	Due Date
Consider Election Service Contract	4.1	GC/BOD	At or before the August Regular Board meeting each year
Establish Annual Meeting Date and Location	3.1	BOD	At or before the August Regular Board Meeting each year
Present Election Timeline	3.2	GC	December Regular Board Meeting
Approve Election Timeline	3.2	BOD	January Regular Board Meeting
Conduct Internal Coordination Meeting	3.3	GC/ Communications/ IT/ GT/Board Recording Secretary / Legal/ Member Services/ Election Service Provider	Prior to the January Regular Board Meeting
Communications Plan presented to the Board of Directors	7.3	Communications Department	At or before the January Regular Board Meeting of each year
Post and make available Ballot Materials and Nomination Application	6.2.1.1.1	BRSgt / Communications/ Member Services	By January Regular Board Meeting each year.
Election Service Provider send Quality Control Steps to the General Counsel	7.11.1	Election Service Provider/GC	Prior to the February Regular Board Meeting (timeline reflects packet deadline).
Director will submit to the Board Recording Secretary <u>Governance Team</u> the name of a person or persons residing in the Director's District eligible and willing to serve on the Qualifications and Elections Committee	6.2.1.6	BOD/ BRSgt	At least a week preceding the February Regular Board meeting
Direct the General Counsel to prepare proposed Non-Director Election items	6.1	BOD	No later than the January Regular Board Meeting each year
Board will appoint the Qualifications and Elections Committee	6.2.1.6	BOD/Q EC	At the February Regular Board meeting
Candidate Application to be delivered to the Board Recording Secretary <u>Governance Team</u> at PEC Headquarters in Johnson City	6.2.1.4	Candidate Applicant/ BRSgt	No later than 5 p.m. on the last business day falling 82 days or more before the date of the Annual Meeting

Appendix A: Election Timeline (SAMPLE)			
Item	Section	Party	Due Date
Candidate Orientation and Photos	7.1 7.6	<i>Candidate Applicant(s)/PEC staff</i>	The week preceding the April Regular Meeting of the Board each year
Election withdrawal deadline for removal from Ballot	7.2	<i>Candidate Applicant</i>	Before approval of Ballot by Board
Presentation and approval of Candidate slate, Ballot, and any Non-Director Election items	6.2.1.9, 6.2.1.10	<i>Qualifications and Elections Committee /GC</i>	At the April Regular Meeting of the Board each year
Candidate video recording and photographs	7.1, 7.5, 7.6	<i>Candidate Applicant(s)/PEC staff</i>	On the Thursday after the Ballot is approved by the Board
Mailing of Ballots	7.4.1	<i>Election Service Provider, as directed by GC/BRSGT</i>	Between 25 and 30 days before the Annual Meeting
Online voting site goes live	7.4.2	<i>Election Service Provider</i>	Between 25 and 30 days before the Annual Meeting
Initial voting email notifications	7.4.3	<i>Election Service Provider</i>	Between 25 and 30 days before the Annual Meeting
Certifications prepared of mailing of Annual Meeting Notices, number of votes cast electronically and by mail, quorum verification for use at Annual Meeting.	7.13	<i>GC and BRSGT</i>	Between one and eight days before Annual Meeting.
Supplemental mailing of ballots to Members since previous mailing	7.4.1	<i>Election Service Provider/IT</i>	As specified in this timeline
Update on voter turnout by Director election district	7.11	<i>GC</i>	Once weekly after Ballots are initially mailed
Supplemental mailing of ballots to Members since previous mailing	7.4.1	<i>Election Service Provider/IT</i>	As specified in this timeline
Update on voter turnout by Director election district	7.11	<i>GC</i>	Once weekly after Ballots are initially mailed
Deadline for mailing or webcasting <u>advance</u> -ballots	8.4	<i>Election Service Provider</i>	Eight days before Annual Meeting

Appendix A: Election Timeline (SAMPLE)			
Item	Section	Party	Due Date
Reminder voting emails	7.4.3	<i>Election Service Provider</i>	Dates to be determined each year when timeline presented to the Board of Directors
Record Date for Casting Ballot at Annual Meeting , transmittal by PEC of Members eligible to vote to Election Service Provider	5.2	<i>IT</i>	Close of business four business days before Annual Meeting
Update on Voter Turnout by Director election district	7.11	<i>GC</i>	Once weekly after Ballots are initially mailed
Pre-Annual Meeting Quality Control	7.13	<i>Election Service Provider</i>	At the close of the final business day before the Annual Meeting
Post-Tabulation, Pre-Announcement Quality Control	8.8	<i>Election Service Provider</i>	On the date of Annual Meeting after the results are tabulated
Announcement and Certification	8.9	<i>Election Service Provider</i>	On the date of Annual Meeting after the results are tabulated
Post-Election Director Acknowledgments	8.10	<i>BOD</i>	On the date of Annual Meeting after the meeting has concluded
District-by-District Results	9.1	<i>Election Service Provider</i>	Within five business days of the Annual Meeting
Post-Election Analysis	9.2	<i>GC</i>	Within one month after the Annual Meeting

Legend:

BOD – Board of Directors

ESP – Election Services Provider

GM – Governance Manager

GT – Governance Team

GC – General Counsel

IT – Information Technology

QEC – Qualifications and Elections Committee

Appendix B: Election Service Provider Technical and Security Qualifications

Before being awarded a contract with Pedernales Electric Cooperative, any Election Service Provider shall establish to the Cooperative's satisfaction that it has met the following technical and security qualifications.

1. Policies and Procedures

The Election Service Provider must establish and follow the following internal policies and procedures:

- a. Acceptable Use Policy addressing use and ownership, security and proprietary information, unacceptable use, system and network activities, and communications.
- b. Information Sensitivity Policy addressing information disclosure and sensitivity.
- c. Password Policy addressing a standard for creation of strong passwords, the protection of those passwords, and the frequency of change.
- d. Physical Security Policy addressing security access to all parts of the provider's building and its contents, assets and equipment.
- e. Logical Access Procedure addressing how user access accounts are created, changed, terminated, and monitored within the application architecture to ensure standardization across all information technology systems and ensure the appropriate data owners are contacted, informed and approved for each user access request. All user access requests must be documented using procedures outlined in this process, minimizing unauthorized access to proprietary information and technology.
- f. Change Management Policy addressing the steps required to analyze, authorize, test, implement and document application changes (i.e., patches, upgrades, and reports).
- g. Quality Control Procedure addressing project requirements checklist, project hand-off, proofing, testing, data receipt, vendor QC checks, certification of reports, close-race/recount, and onsite QC.
- h. Client services Procedure addressing hard/electronic material exchanges/development, secured client group drive, approvals, printing/mailing, project change, handling of bounces, and member/participant support.
- i. Production Procedure(s) addressing physical material inventory, assembly, shipping/receiving, vaults/security, processing, scanning/verifying, observation, and auditing.
- j. Disaster Recovery Procedure addressing categories of threat (i.e., personal health and safety, facility relocation, business interruptions (technology), and business interruptions (human resources)), and a standing emergency planning team, critical operations, suppliers and contractors, shelter-in-place plan for alternate location, communications, cyber security, records back-up, annual plan review, and the projected recovery period.

2. Confidentiality of Data

The Election Service Provider shall contractually agree not to share voting details (the contents of any ballot received by the Election Service Provider) with PEC. Any data transmitted within the Election Service Provider shall be sent via CD, encrypted email, or https transfers. Access to PEC data shall be limited to a list of vendor employees with a business need for such access, subject to PEC review.

3. Network/Security

The Election Service Provider shall provide enterprise-class facilities that keep mission-critical infrastructure continuously available. Secure network architecture shall include: firewalls, intrusion detection, server hardening, network and server monitoring; VeriSign E-commerce level certificates; and encryption with 128-bit private key and 1024-bit public key.

4. Physical security

All physical materials relating to elections shall be stored in facilities providing two or more of the following physical barriers to entry:

- a. Pass-card entry
- b. Biometric recognition
- c. Continuously monitored digital surveillance equipment
- d. Standard 19-inch lockable cabinets

5. Connectivity

The voting website must have reliable Internet connectivity, uninterruptible telecommunication infrastructure (e.g., multiple independent connections to Tier 1 Internet access providers that maintain and balance Internet traffic). The Election Service Provider's voting website shall be accessible across multiple browsers and operating systems, including MacOS and Windows, and shall be available for PEC testing before "go-live."

6. Power

Data storage and server facilities must have power redundancy (e.g., uninterruptible power supplies, power conditioning units, and high capacity generators) to help maintain an effortless environment.

7. Data Backups

The Election Service Provider must back up PEC data offsite at a minimum of nightly.

8. Vulnerability Testing

The Election Service Provider shall, upon request, provide PEC a certificate from an outside security testing vendor certifying that the Election Service Provider has passed vulnerability and penetration tests of all aspects of network, servers, and applications security.

Appendix C: Affidavit Affirming No Previous Vote Cast

My name is _____ and I hereby affirm:
Name of person executing affidavit

- I am authorized to cast a vote as an Individual or Joint Member or as an authorized representative of an entity, _____, of _____
Member Name

Member address that is a Member of the Pedernales Electric

Cooperative, Inc., (PEC) in the PEC Election being conducted on _____.
Date

- Neither I, my spouse, nor any other person authorized to vote on behalf of the Member listed above has, to my knowledge, previously cast a vote in this election.
- Any vote recorded as having previously been cast for this Member, was not in fact the vote of the Member, and should not be counted. I will not hold Pedernales Electric Cooperative or its agents in any way liable, and accept any liability, for PEC's not counting any such vote.

Executed by

Member Signature

Date

PEC Employee (verify identity of Member before accepting this form).

Name

Job Title

Initial

Appendix D: PEC CORPORATE STATISTICS (SAMPLE)

Key statistics about your electric cooperative

At PEC, we are more than an electric utility. We are a cooperative owned by our membership, and we believe it is important to share key information with our members.

We are ranked among the top 10 utilities in the nation for customer satisfaction by J.D. Power, and our rates are lower than the Texas and national averages. Review some key facts about your cooperative below. Additional information, such as an archive of annual reports, Form 990 compensation reporting, and key industry ratios, is available at pec.coop/archives.

Average Cost Comparison (Dec. 2018)	1,000 kWh*	1,275 kWh*	1,500 kWh*	2,000 kWh*
PEC residential average	\$106.18	\$129.88	\$149.27	\$192.36
Texas residential average**	\$112.20	\$143.06	\$168.30	\$224.40
National residential average**	\$124.70	\$158.99	\$187.05	\$249.40

Note: Average cost determined using total residential revenues and total residential kWh sales.

*Cost is estimated from the cost per kWh at 1,000; 1,275; 1,500; and 2,000 kWh in order to provide an accurate comparison with Energy Information Administration (EIA) data.

**Source: U.S. EIA, Form EIA-861M (formerly EIA-826), Monthly Electric Power Industry Report.

Active accounts (4/1/19)	318,300	Average consumers per employee (4/1/19)	392
Members (4/1/19)	266,765	2018 average outage time per account	54 minutes
Miles of line (4/1/19)	22,258	Percent growth in meters in 2018	4.7%
Employees (4/1/19)	804	2018 J.D. Power Electric Utility Residential Customer Satisfaction Study score	788
Capital credits retired in 2018	\$12.1 million	Board meetings held in 2018	13
Fitch bond rating (affirmed June 2018)	AA-	Members voting in 2018 PEC Board election	12,460
2018 total assets	\$1.7 billion	Percentage of members participating in 2017 online voting who were "very satisfied" or "satisfied" with the online voting process	96.5%
Equity as a percentage of assets	40.38%¹	2018 PEC open records requests	77
2018 revenue	\$638.5 million¹	2018 community support and member assistance	\$453,989
2018 revenue percentage allocated to power cost	60.03%¹		
2018 distribution operating expenses per average meter	\$381¹		

¹Pre-audit figures, subject to change

Revised March 2019