

TOUCHSTONE ENERGY BOARD OF DIRECTORS



**Governing
Policies**



**Legal
Documents**



Touchstone Energy®
Cooperatives

TOUCHSTONE ENERGY COOPERATIVE, INC.

BOARD OF DIRECTORS

GOVERNING POLICIES

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DEFINITIONS

Unless specifically noted otherwise in the policy language, the following terms shall have the meanings identified here:

Board – Board of Directors of Touchstone Energy Cooperative, Inc.

Corporation or Cooperative – Touchstone Energy Cooperative, Inc.

Director – Elected or appointed directors.

Management Agreement – The Administrative & Management Agreement between TSE and NRECA that was executed in December 1999.

Membership – The entire membership of the corporation and not just voting members.

NRECA – The National Rural Electric Cooperative Association. NRECA is the owner and licensor of the Touchstone Energy® trademarks.

President – The president of the TSE Board.

TSE – Touchstone Energy Cooperative, Inc.

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 01

**DIRECTOR DUTIES, RESPONSIBILITIES, STANDARDS OF CONDUCT AND
PROFESSIONAL DEVELOPMENT**

I. OBJECTIVE

To describe the duties and responsibilities of the board of directors, as well as the standard of conduct and professional development expected of individual board members.

II. POLICY

As provided in its articles of incorporation and bylaws, the board of directors shall manage the affairs of Touchstone Energy Cooperative, Inc. (“TSE”). All of the powers of the corporation reside in the board of directors acting as one body, excepting those appropriately delegated by the board to staff and excepting those powers that have been conferred upon or reserved for the members by statute or by the cooperative’s articles of incorporation or bylaws. The board is ultimately responsible and accountable for the corporation’s performance. This policy lists the board’s key duties and responsibilities and establishes the standards by which its powers shall be exercised. TSE expects its directors to gain and maintain the knowledge and skills necessary to function actively and effectively as members of the board of directors.

III. DUTIES & RESPONSIBILITIES

A. Fiduciary Duty

The TSE board of directors has a fiduciary duty to the corporation and its members. A director of TSE shall discharge his/her duties as a director, including his/her duties as a member of a committee of the board:

1. in good faith;
2. with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. in a manner the director reasonably believes to be in the best interests of the corporation.

B. Key Responsibilities and Functions of the Board

The following is a non-exhaustive list of the board’s responsibilities and functions:

1. Set the corporation’s mission, purpose(s), and engage, on a regular basis, in strategic planning;
2. Establish the goals and objectives for the corporation and monitor progress towards those goals through direction and feedback to the Chief

Operating Officer (“COO”), (who shall be selected by NRECA as provided by the Management Agreement between TSE and NRECA);

3. Approve an annual budget in support of such goals and objectives and review and approve or deny deviations from that budget as may be necessary from time to time;
4. Review, monitor and report to the membership regarding the critical operating and financial performance of the corporation;
5. Ensure effective planning and adequacy of resources;
6. Contract for and approve the selection of a firm to conduct an annual independent financial audit;
7. Provide program oversight and support, including the adoption of policies and monitoring for compliance with legal and regulatory requirements as well as the adequacy of internal controls.

IV. STANDARDS OF CONDUCT

A. Conduct with Respect to Fellow Directors

Regardless of any personal differences, directors should at all times:

1. Demonstrate respect for each other and the corporation’s staff.
2. Allow opportunity for every other director to be heard on any matter being considered by the board.
3. Refrain from revealing to persons other than directors, any differences of opinion among directors on matters that have been considered and acted upon by the board. Provided however, a director may disclose without further explanation the vote he or she took on a board action. This standard does not preclude fair and accurate publication of such differences to the corporation’s members related to contests for director elections or other matters to be voted upon by the members. Nor does it impinge upon a director’s right to dissent and to have his/her dissenting vote recorded in the minutes upon his/her request.
4. Recognize that the President has the responsibility and authority to enforce these standards of behavior, and may take such actions as he or she deems necessary, including, without limitation, reminding the director of the standards of conduct and expectations set forth in this policy and elsewhere, and reprimanding a director who has breached these standards.
5. Publicly support decisions of the board, except in such extraordinary circumstances as the director reasonably believes that a decision will bring

harm to the corporation or threaten the corporation's survival and therefore the director is compelled to publicly challenge the decision to fulfill his/her fiduciary duty. This does not impinge upon a director's right to dissent and to have his/her dissenting vote recorded in the minutes if he/she so requests.

B. The Right to Rely on Others

In the discharge of his/her duties, a director is entitled to rely on management and on board committees of which the director is not a member, to perform their respective responsibilities. A director is entitled to rely upon reports, opinions, information and statements presented by the corporation's management, staff and outside advisors whom the director reasonably believes to be competent and reliable in the matters being presented.

C. Access to Staff and Information and the Duty to Maintain Confidentiality

Directors are entitled to reasonable access to the corporation's staff (which staff are selected by NRECA pursuant to the Management Agreement between TSE and NRECA), records, data or other information. A director shall keep confidential all matters involving the corporation that have not been disclosed to the general public until such time as the information becomes public, or the COO or the President of the board approves the disclosure of such information, whichever occurs first.

1. Requests for access to information or staff should normally be made to and through the COO. In some instances however, it may be appropriate for directors to seek information directly from other staff or outside consultants or experts. If a director is uncertain whether he or she may appropriately direct an inquiry to staff other than the COO, the director should first consult with the President regarding his/her request.
2. When a director has sought access to information that is: (1) not generally available to the public or reported to the board as a whole and (2) is appropriately for the full board's knowledge, then the COO shall report this information to the board at the next meeting or by other means that ensure that all board members receive the information at the same time so that all directors have equal access to information needed to fulfill their responsibilities.
3. Non-public information received by a director must be treated as confidential and not be disclosed to any other person unless the director reasonably believes that he or she must do so in order to fulfill his/her fiduciary duty. A director is encouraged to consult with his/her personal attorney in determining whether fiduciary duty obligates the director to make such a disclosure.

D. Attendance & Participation

All directors are expected to attend meetings and participate actively in the performance of the work of the board and its committees.

1. Meeting dates, times and locations for regular board and board committee

meetings will be set far enough in advance to seek to avoid conflicts with other commitments of directors. Therefore, directors are expected to attend each regularly scheduled board and board committee meeting unless: at the time the meeting was scheduled, he/ she indicated a prior commitment that precluded his/her attendance, or an unexpected event outside the director's control prevents his/her attendance or is of such importance that the director's greater obligation is elsewhere (*e.g.* severe storm, sickness or death in the family, business crisis, etc.)

2. Each director will make a best effort to attend special meetings, including those conducted telephonically.
 3. In the event that a director must be absent from a meeting, the director should inform the President, or the chair of the board committee, of his/her expected absence and the reason for it as early as practicable.
 4. All directors are encouraged to actively participate in board and board committee meetings. Active participation is facilitated by a director's prior review of the advance materials sent to the board before each meeting. Directors are also encouraged to ask questions and seek clarification or additional information to ensure that they are fully informed of all reasonably available information and fully comprehend the matters brought before them.
 5. Board meetings will be conducted, as is reasonable and practical, under the most current version of Robert's Rules of Order.
- E. Term of Office – As provided in the TSE bylaws, Director terms will be three (3) years. At the regular meeting of the Board that immediately follows the annual election of directors, the Board shall review the terms of all Directors to ensure terms are staggered and balanced so that approximately one third (1/3) of the Board stands for election each year as required by the TSE bylaws. The COO, with support from TSE staff and legal counsel, shall keep records of director terms and make those records available to the Board in order to fulfill its obligation under the TSE bylaws and this policy.

F. Board Self-Evaluation

The board of directors shall annually conduct a self-evaluation, preferably at its fall meeting, of its performance and accomplishments in relation to the goals and mission of TSE.

G. Board Orientation, Training & Development

1. Upon election to the board of directors, a new director shall receive a thorough orientation into the responsibilities of his/her position conducted by the corporation's board officers, the COO and other staff.
2. Directors are strongly encouraged to participate in training and educational

programs, conferences and other activities offered by TSE to improve their skills and knowledge of the corporation, its programs and activities.

V. RESPONSIBILITY

- A. All directors serving on the board shall receive a copy of this policy and attest by their signatures to having received the policy.
- B. TSE's legal counsel shall inform all candidates, nominees or appointees to the board regarding the terms of this policy and the personal liability implications resulting from policy violations.
- C. TSE's legal counsel shall review this policy with the board on a periodic basis and discuss any personal liability implications resulting from violations.
- D. The President shall ensure that this policy is followed.

APPROVED: 7/27/2016

Touchstone Energy Cooperative, Inc.

Addendum to Policy 01

DIRECTOR DUTIES, RESPONSIBILITIES, STANDARDS OF CONDUCT AND
PROFESSIONAL DEVELOPMENT

Affirmation of Receipt, Understanding of and Support for Policy 01 on Director Duties,
Responsibilities, Standards of Conduct and Professional Development

I, the undersigned, hereby acknowledge that I have received, read, understand and support the Board Policy on Director Duties, Responsibilities, Standards of Conduct and Professional Development.

Signature: _____

Date: _____

Printed Name: _____

[Signed copies to be retained by TSE's legal counsel]

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 02

OFFICERS

I. OBJECTIVE

As provided by Virginia law, the TSE articles of incorporation and bylaws, TSE shall have the following required officers: president, vice president, secretary and treasurer. TSE has, as permitted by law, elected to combine the offices of secretary and treasurer. This policy sets forth the corporation's methods for electing and filling vacancies for officers, the length of terms of office, and the process for the appointment of other officers and agents. This policy shall also describe the standard of care for the performance of the duties and responsibilities of office.

II. POLICY

TSE shall have a president, vice president, secretary/treasurer and such other officers as the board may determine are beneficial to the fulfillment of the corporation's goals and objectives. All officers shall discharge their duties: (1) in good faith; (2) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (3) in a manner the officer reasonably believes to be in the corporation's best interests.

A. Election of Required Officers – The board shall elect the president, vice president, secretary/treasurer ("Required Officers") at the first regular board meeting after the corporation's annual meeting. If there is only one nominee for an office, then without objection, the nominee shall be elected by acclamation. If there is more than one nominee for an office, then a vote shall be conducted by secret written ballot. To be elected, a nominee must capture an affirmative vote of a majority of directors present and voting. In the event of a tie vote, the board shall conduct another vote. If no nominee captures a majority of votes, on the second vote, then the board shall draw straws. Only directors elected by the membership or appointed by the board to fill a vacancy may serve as Required Officers of the corporation.

B. Appointment of Additional Officers & Agents – As provided in TSE's bylaws, the board may appoint additional officers of the corporation who may or may not be members of the board of directors ("Other Officers"). The same individual may simultaneously hold more than one office. Except as otherwise provided by law, TSE's articles or bylaws, this individual may not execute, acknowledge, or verify a document in more than one capacity. Such Additional Officers:

- may be TSE directors, employees of TSE member cooperatives, NRECA staff, or other individuals;
- may assist Required Officers; and
- shall perform all duties, shall have all responsibilities, and may exercise all authority, as prescribed by the board.

At the time this policy was first adopted, the following Additional Officers have been and shall be appointed annually by the board:

- Chief Operating Officer
- Assistant Secretary/Treasurer
- Second Vice President

The board, in its discretion, may appoint Other Officers at any time.

C. Officer Resignation & Removal – At any time, a Required Officer or Additional Officer (collectively, “Officer”) may resign his/her office. To resign, an Officer must deliver to the corporation a written resignation. Unless a later effective date is otherwise provided in the Officer’s notice of resignation, an Officer resignation is effective when delivered to the corporation. If an Officer resignation is effective at a later date, then the board may fill the vacant Officer position before the later effective date, but the successor Officer may not take office until the later effective date. At any time, the board may remove an Officer from his/her office when the board believes such removal is in the best interests of corporation by a two-thirds majority vote of the directors present and voting at a regular or special board meeting. The Officer involved shall have an opportunity to be heard at such meeting prior to the vote on removal. If the Officer was elected to the board by the members, he/she shall remain a director following the removal from office.

D. Officer Vacancies – Upon an office of the corporation becoming vacant for any reason, the board shall nominate and approve, by majority vote of the directors at the first regular board meeting after which such vacancy is made known, a successor to fill the remainder of that term of office. If there is only one nominee for an office, then without objection, the nominee shall be elected by acclamation. If there is more than one nominee for an office, then a vote shall be conducted by secret written ballot. In the event of a tie vote, the board shall conduct another vote. If no nominee captures a majority of votes on the second vote, then the board shall draw straws.

E. Term of Office – As provided in the TSE bylaws, all Required Officers will stand for election at least annually at the first regular Board meeting following the annual meeting of the corporation. Any Additional Officers will serve for a term to be decided by the Board at the time of the additional officer’s election. The term of Additional Officers will be recorded in the minutes of the meeting of the Board meeting where the additional officer is elected.

F. Duties of Required Officers – TSE’s bylaws list the duties of Required Officers. As provided in TSE’s bylaws, an individual may serve in two (2) or more offices at once, but may not execute, acknowledge or verify any instrument in more than one capacity if the instrument must be executed, acknowledged or verified by two (2) or more officers. TSE has elected to have one director serve as Secretary/Treasurer. Without relinquishing responsibility for the performance of duties and at the TSE’s Secretary/Treasurer’s direction and subject to his/her oversight, an assistant secretary, assistant treasurer, assistant secretary/treasurer or corporation staff may assist in the performance of the Secretary/Treasurer’s duties.

VI. RESPONSIBILITY

The President shall ensure that this policy is followed.

APPROVED: 7/27/2016

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 03

BOARD AND ADVISORY COMMITTEES

I. OBJECTIVE

To establish standing committees of the board of directors; a process for the formation of committees other than standing committees; and a process by which directors and others may be appointed to such committees.

II. POLICY

The board may establish standing committees of the board of directors to ensure efficient operation and performance of duties of the board. Advisory committees shall assist the board by making recommendations to the board regarding program development and monitoring approved programs.

III. EXPECTATIONS FOR COMMITTEES

- A. The board may organize board standing committees to assist the board in the efficient performance of the board's duties and responsibilities. As provided in TSE's bylaws, the board may appoint from among the directors an executive committee and other committees of two (2) or more directors, and may delegate to such committees between meetings of the board, any or all powers of the board. Board standing committee member terms shall be one (1) year. At the time this policy was first adopted, the board had organized one (1) standing committee:
- Executive Committee – The members of the Executive Committee shall be the President, Vice President, Secretary/Treasurer, Second Vice President, immediate past President if still a director, and one (1) director elected by the board. The Executive Committee is authorized to approve non-budgeted expenses up to \$200,000. The Second Vice President shall be a non-voting member of this committee.
- B. Advisory committees may be formed by resolution of the board of directors. The board shall determine the number of committee members to serve on each committee, with no advisory committee having less than five (5) members and no more than fifteen (15) members. Appointments to advisory committees shall be made by the board. Each advisory committee chair shall, working with TSE staff, recommend to the board candidates for service on the committee. Advisory committee terms are three (3) years. Advisory committee members may not serve more than two (2) consecutive three-year terms without an intervening term. In the event that an advisory committee member misses three consecutive meetings, the board may remove the advisory committee member

and appoint a replacement. At the time this policy was adopted, five (5) advisory committees have been formed to be responsible for program development and making recommendations to the TSE board of directors:

1. Brand Strategies – The duties of this committee are to: (1) Provide oversight and direction of all external communication efforts in support of Touchstone Energy member cooperatives including: market research, message development, creative implementation, national advertising planning/placement, promotional and public relations activities, strategic partnerships and alliances; (2) Recommend guidelines for local communications spending commitment; and (3) Encourage consistent local application of the brand communication strategy.
 2. Budget & Finance – The members of the Budget & Finance Committee consist of the Secretary/Treasurer, one (1) director elected by the board, and the chairs of each of the advisory committees. The duties of this committee are to: (1) Prepare and present for the board’s approval, the corporation’s annual financial budget and budget adjustments as necessary to the board; (2) Recommend a funding formula and any special arrangements for member co-ops; (3) Coordinate with all other advisory committees in the preparation of their budget recommendations to the board; and (4) Meet as necessary with the board, its Required Officers and the Chief Operating Officer to review the corporation’s financial status.
 3. Business Development – The responsibility of this committee is to deliver brand building, value-added programs and training to Touchstone Energy co-ops that enhance residential, commercial and industrial customer engagement.
 4. Cooperative Relations – The responsibility of this committee is to “build the brand from within” by supporting and enhancing the cooperatives’ capacity to: (1) Communicate the Touchstone Energy brand values, (2) Educate employees and directors about the brand, and (3) Lead the member recruiting and retention effort.
 5. Standards and Best Practices – The responsibility of this committee is to promote a customer-focused culture and continuous organizational improvement by member cooperatives. The committee: (1) Provides tools to measure customer satisfaction and loyalty; (2) Identifies and communicates best practices to cooperatives; and (3) Facilitates the exchange of best practices among cooperatives.
- C. Each advisory committee shall have a chair appointed by the President. In the event that a vacancy occurs for an advisory committee chair, the President shall appoint his/her replacement.

- D. The board may organize special or ad hoc committees from time to time.
- E. All committees shall keep minutes of their proceedings and shall report the same to the board of directors at the meeting next succeeding the committee's meeting or meetings, and any action by the committee shall be subject to revision and alteration by the board of directors.
- F. Committees shall present oral and written reports to the full board of directors of all matters discussed by them, together with any recommendations for action in writing.
- G. All advisory committee members are obligated to maintain the confidentiality of proprietary, non-public information until such time as the corporation makes the information public or until the President [or his/her designee] instructs committee members that confidentiality is no longer required. Advisory committee chairs shall inform committee members of this obligation and periodically remind them of this obligation. The President may reprimand any advisory committee member for violation of this obligation of confidentiality, up to and including removal from the committee.

VI. LIMITATIONS

A board standing, special, or ad hoc committee cannot take official action on any matter unless specifically authorized by this policy or otherwise by the full board of directors. An advisory committee cannot take official action on any matter. Advisory committees shall only provide advice and recommendations to the board of directors.

VII. RESPONSIBILITY

The President shall ensure that this policy is followed.

APPROVED:7/27/2016

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 04
CONFLICT OF INTEREST

I. OBJECTIVE

This policy describes situations and conditions that can create a conflict of interest to help directors recognize potential conflicts of interest, seek to avoid them, and when unavoidable, understand their obligation to and the procedure for disclosing the potential conflict.

II. POLICY

Every director of TSE is expected to uphold the highest ethical standards in performing his/her duties to the corporation. A conflict of interest exists whenever a director has a personal interest, financial or otherwise, in a matter of such nature and magnitude that the individual is not able to exercise independent and objective judgment on a matter in the best interests of the corporation as opposed to his/her own personal interest. A director's personal interest may not technically involve the director, but may instead involve relatives, business associates, or other persons or organizations with whom he or she is closely associated. Such a conflict may also be expressed as a division of loyalties, which makes it difficult for the director to be completely objective about a decision. Directors should avoid any personal interest that influences their ability to act in the best interests of the corporation or that creates the appearance of conflict of interest.

III. EXPECTATIONS REGARDING CONFLICTS

A. Before committing to serving on multiple boards, directors of TSE should consider whether they have sufficient time and energy necessary to fulfill their duties and responsibilities to multiple organizations.

B. Confidentiality of Cooperative Information

The complete confidentiality of business information must be respected at all times. Directors are prohibited from knowingly disclosing non-public information to anyone until such time as the information is released to the public by the corporation or the President or the COO expressly notifies the board that such information is no longer confidential. Further, directors are prohibited from using confidential information learned in the course of fulfilling their duties to TSE for personal gain or advancement or to the detriment of TSE.

C. Avoiding Conflicts of Interest

Every director of TSE shall seek to avoid situations which might be construed as conflicts of interest. It is not feasible, however, in a policy statement to describe all the circumstances and conditions that might be or have the potential of being considered conflicts of interest.

D. Disclosure of a Conflict or Potential Conflict

Every director of TSE is expected to disclose any situation, which, in his/her opinion, violates, may violate, or could appear to violate, the intent of this policy. Such disclosures should be made to the President. Conflicts or potential conflicts involving the President should be disclosed to the Vice President or TSE's legal counsel.

IV. LIMITATIONS

A. Gifts and Other Payments or Offers

1. Directors of TSE should not provide, directly or indirectly, any gift of more than nominal value (\$100.00) to any individual or company (including, but not limited to, owners, suppliers and vendors) in consideration for doing business with TSE.
2. Directors of TSE should not accept any gift of more than nominal value (\$100.00) from any individual or company, including, but not limited to suppliers or vendors. No gift should be accepted if the nature of the gift is in conflict with TSE's values (integrity, accountability, innovation and commitment to community) and thus could damage the corporation's reputation.
3. The acceptance of reasonable business meals and entertainment does not violate these policies.

B. Investment or Participation in Other Entities

Directors are prohibited from acquiring or having a substantial financial interest in any supplier, contractor, or consultant business with which TSE transacts or with which TSE competes. This does not prohibit the ownership of securities in a publicly-owned company except in such a substantial amount that this ownership position could materially influence or affect a business relationship between TSE and such publicly- owned company.

C. Corporate Opportunity

A director may become aware of, through his/her access to confidential information or otherwise through the performance of his/her duties as a director, or be presented with an opportunity to engage in a business activity that would be of interest or reasonably be expected to be offered to TSE ("Corporate Opportunity"). A director shall not take advantage of a Corporate Opportunity unless the director: (1) first offers the Corporate Opportunity to TSE and (2) discloses to the board the material facts concerning the Corporate Opportunity, and thereafter TSE rejects the Corporate Opportunity, which rejection is fair to the corporation. Such rejection shall be evidenced by a majority vote of disinterested and informed directors.

V. RESPONSIBILITY

- A. The President shall ensure the enforcement of this policy.
- B. Each director shall sign the form appended to this policy on an annual basis, stating that he/she has read the policy, understands it, and affirms that he/she has no undisclosed conflicts of interest.
- C. Actions considered inconsistent with this policy shall be reported to President. If such actions involve the President, then the report shall be made to the Vice President or TSE's legal counsel. Any such report shall be discussed at the next scheduled board meeting, where all sides of the issue will be heard. If a question remains, legal counsel for TSE shall investigate the matter and report back to the board of directors with recommendations for the board regarding appropriate actions to address the conflict of interest or other violation of this policy.
- D. The minutes of all meetings of the board and relevant board committees should record all disclosures, votes, determinations, and actions made pursuant to this policy.

APPROVED:7/27/2016

Touchstone Energy Cooperative, Inc.

Addendum to Policy 04

CONFLICT OF INTEREST CERTIFICATION
& DISCLOSURE FORM

The undersigned member of the board of directors of TSE:

1. Affirms that he/she has received, read, and understands the most current version of TSE's Conflict of Interest Policy ("Policy").
2. Agrees to comply with the Policy.
3. Based upon a good faith belief, to the best of the director's knowledge, and except for the material facts disclosed below, certifies that he/she currently complies with the Policy.
4. Discloses the following material facts known to the director regarding any actual or potential conflict of interest that could impact the director's compliance with the Policy (if none, then so indicate):

5. Agrees to disclose to the President (or if the undersigned is the President to the Vice President or TSE legal counsel as provided in the Policy) immediately any material facts that become known to the director regarding any actual or potential conflict of interest that could impact the director's compliance with the Policy.
6. Agrees that, if, pursuant to the Policy, the board determines that the director fails to comply with the Policy, then, the director shall be subject to reprimand.

I, the undersigned, have received, read, understand and support TSE's Policy. By my signature below, I affirm that I do not have any undisclosed conflicts of interest.

Signed: _____ Date: _____

Printed Name: _____

[TSE's legal counsel to maintain copies of the signed forms]

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 05

FINANCIAL OVERSIGHT AND REPORTING

I. OBJECTIVE

To set forth standards for both the board and management in performing their respective responsibilities for key finance and accounting functions.

II. POLICY

Consistent with its oversight responsibilities, the board in this policy sets clear guidelines and expectations for the corporation's staff related to the financial management of the corporation.

III. EXPECTATIONS

A. Accounting Standards

The corporation shall follow generally accepted accounting principles. The board shall request that the corporation's independent financial auditor provide information regarding changes to accounting and auditing standards and practices.

B. Internal Controls

The Chief Operating Officer ("COO") is responsible for: maintaining a system of internal controls, which include guidelines and procedures related to protecting the corporation's assets; helping to ensure compliance with the law and applicable regulations; and keeping the corporation's books and records in reasonable detail to ensure their reliability and accuracy and for proper recording of all transactions involving the corporation. Internal controls include the separation of personnel duties between the handling of assets and maintaining of the related accounting records, with enforcement of all such guidelines and procedures by the COO. Periodically and upon request, the COO shall make reports to the board regarding the effectiveness of the corporation's internal control systems. The board shall work with the independent auditor to advise the COO regarding any areas for improvement in internal controls that are identified by the auditor and suggestions for improvements.

C. Annual Financial Audit

1. The board shall be responsible for: selecting and retaining the independent auditor, approving work done by the auditing firm, deciding issues regarding the scope and timing of and compensation for the audit, and determining how issues discovered during the audit will be resolved. The COO and the Assistant Secretary/Treasurer shall assist the board in identifying qualified audit firms.

2. The board shall discuss with the outside auditor in person or by conference call the annual audited financial statements and review the corporation's reporting and accounting standards and principles, significant changes in such standards or principles or in their application, and the key accounting decisions that could affect the corporation's financial statements, including alternatives to, and the rationale for, the decisions made.

D. Financial Reporting

1. The COO is responsible for ensuring that records of all transactions and other pertinent financial data is maintained in a manner permitting the preparation of financial statements, reports and data for use internally, including by the board, and for reporting to regulatory authorities, lenders, and the members. All such statements, reports and data shall be prepared and presented in a manner that accurately and fairly reflects the financial health of TSE.
2. The board shall review the corporation's financial statements in detail with the COO and reserve adequate time during its meetings to provide for sufficient review of these statements prior to the board's approval of such statements and their release to the membership.
3. Advice and counsel to the board regarding financial reporting to the membership may be provided by the Budget & Finance Advisory Committee.

IV. LIMITATIONS

Through this policy, the board directs the COO to be primarily responsible for the preparation of financial reports and maintenance of records and data for the annual audit, however, the board maintains its accountability to the membership of TSE for the overall financial health and performance of the corporation. In addition, the board is responsible for reporting on the corporation's finances to the membership.

V. RESPONSIBILITY

The President shall ensure that this policy is implemented.

APPROVED:7/27/2016

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 06

DELEGATION OF AUTHORITY FROM AND RELATIONSHIP BETWEEN THE BOARD
OF DIRECTORS AND THE CHIEF OPERATING OFFICER

I. OBJECTIVE

To delegate authority to the Chief Operating Officer (“COO”) and to express the board’s expectations regarding management performance and to define the relationship between the board and the COO.

II. POLICY

The COO is the chief operating officer of the corporation, capable of binding it legally, and is responsible for day-to-day operations. To enable the corporation to achieve its mission and objectives, the COO shall have the authority necessary to carry out these responsibilities. In addition, the principles and guidelines set forth below shall set the boundaries of the relationship between the COO and TSE board of directors. Pursuant to the Management Agreement between TSE and NRECA, NRECA provides for all of TSE’s staffing needs and thus NRECA, after consultation with the TSE board of directors and after consideration of the expectations set forth in this policy, selects the COO. The Management Agreement is appended to this policy.

III. EXPECTATIONS REGARDING THE COO

A. The COO has the following responsibilities:

1. Planning
 - a. Working with the board and TSE’s advisory committees, identify the mission, objectives, and strategic priorities of the corporation, periodically engaging in a planning process with the board.
 - b. Develop recommended policies for the board’s consideration from time to time.
 - c. Conduct studies and market research, and develop proposed action plans and reports for the board based upon the results of such studies and research.
 - d. Arrange for surveys and other techniques to measure TSE member satisfaction.
 - e. Develop plans for annual and other member meetings, conferences, and educational programs of the corporation and make appropriate recommendations to the board regarding the conduct of such meetings and programs.

- f. Working with the appropriate advisory committees, develop long-range financial plans, equity management plans, and work plans and budgets for recommendation to the board and provide periodic reports on revenue, expenses, and other results compared to such plans.

2. Organization and Staffing

- a. As provided in the Management Agreement with NRECA, the COO shall work with NRECA to determine the organizational structure best suited to carry out the corporation's objectives within the limitations of its budget.
- b. Be responsible for hiring, training, supervising and appraising the performance of staff reporting to the COO.
- c. Select and hire consultants as needed within the limitations of the work plan and budget, and advise the board of actions taken. Consultants that will work in areas that directly affect the functions of the board may be recommended by the COO, but the board shall ultimately select such consultants. Report to the board periodically on the services provided and the fees paid to consultants.

3. Operations

- a. Direct the day-to-day operations of the corporation except as specified otherwise by TSE's bylaws or the board of directors; delegate authority to immediate staff; authorize further delegation of authority to other staff while recognizing that the COO remains accountable.
- b. Administer the approved budget.
- c. Negotiate and execute contracts with vendors, independent contractors, consultants and others as needed to supply the necessary materials, equipment, work product or property.
- d. Serve as the authorized spokesperson for the corporation.
- e. Work with appropriate NRECA staff to determine the appropriate insurance coverage required for effective risk management and negotiate purchase of such coverage within the limitations of the budget and board policy.
- f. Institute and maintain systems designed to ensure the corporation's legal and regulatory compliance, and provide information to the board regarding such compliance.

4. Reporting to and Working with the Board

- a. Develop, with the President, a schedule of topics to be discussed and reports to be presented to the board to ensure that adequate attention can be devoted to strategic issues and challenges.

- b. Assist the President to develop an agenda for each board meeting to ensure that issues are discussed in a timely fashion. Ensure that the agenda reflects the distinction between activity and status reports for the board's information and those reports and issues requiring action by the board.
- c. Report to the board on the conformity of operations with approved policies, plans and budgets, and recommend, as needed, revisions to such policies, plans and budgets requiring board approval.

IV. LIMITATIONS

- A. The board shall maintain the following principles and guidelines in its relationship with the COO:
 - 1. The board of directors is responsible for directing the affairs of the corporation. It reserves authority to establish policies, approve plans and programs, exercise fiduciary oversight, engage legal counsel, and hire an independent auditor.
 - 2. The board has delegated to the COO the authority to accomplish the corporation's objectives and the COO shall have discretion to choose among different courses of action within the confines of this policy.
 - 3. The COO shall provide advice and counsel to the board, and shall identify and ensure that important issues that may impact the operations or objectives of TSE are presented to the board in a timely fashion.
 - 4. The board is responsible for setting expectations and any limitations on discretionary decision making and communicating these to the COO.
 - 5. The board and COO shall publicly support each other's actions and decisions, even if there was some difference of opinion between them prior to such action or decision.

V. RESPONSIBILITY

- A. The President and COO are responsible for ensuring adherence to this policy.
- B. The COO shall report to the board on delegations and organizational changes made by NRECA pursuant to the Management Agreement.

TOUCHSTONE ENERGY COOPERATIVE, INC.

Appendix to Policy 06

Administrative & Management Agreement
between NRECA and Touchstone Energy Cooperative, Inc.

POLICY 07

EQUITY MANAGEMENT POLICY

I. PURPOSE AND OBJECTIVE

Section 13.1-306 of the Code of Virginia governs the apportionment and distribution of net earnings by cooperative associations. As authorized by this section, Article II, Section 2.6 of the Touchstone Energy Cooperative, Inc. (“TSE”) Bylaws (“Bylaws”) states, “The Cooperative shall deal with its members under the cooperative method. The Cooperative shall operate its business with its members at cost. The Cooperative shall apportion, distribute, and apply its net earnings and profits according to the terms, conditions, rules and regulations determined by the Board of Directors.” To guide TSE in complying with state law and its Bylaws, this policy was established at the direction of the TSE Board of Directors (“Board”).

The purpose of this policy is to guide TSE in apportioning and distributing its net earnings and managing its equity.

II. POLICY

A. Apportioning and Distributing Net Earnings and Losses.

Definitions:

“Net earnings” mean revenues exceeding expenses.

“Net loss” means expenses exceeding revenues.

“Distribution” means a payment in cash or credit of apportioned net earnings.

1. Apportionment. After each fiscal year and following apportionment of any applicable statutory set aside, TSE shall apportion any remaining net earnings to each voting member (“Member”) based upon the Member’s dues paid to TSE during the current fiscal year.

After each fiscal year, TSE shall apportion any net loss from the fiscal year to each Member based upon the Member’s dues paid to TSE during the fiscal year.

TSE may notify each Member of the Member’s annual net earnings or loss apportionment. Upon request, TSE shall provide a current or former Member the Member’s cumulative net earnings or loss apportionment.

2. Distribution. In the Board’s sole discretion, and in the manner, method, and timing determined by the Board, TSE may distribute and pay apportioned net earnings and losses, provided that the Board first determines that the distribution and payment would not adversely impact TSE’s financial condition. When distributing and paying apportioned net earnings and losses to a current or former Member, TSE may deduct any amounts owed to TSE by the Member. Unless the Board determines otherwise, a Member’s termination of membership for any reason shall not trigger any early or special distribution of the Member’s apportioned net earnings and losses.

3. Records. TSE shall maintain records of each current and former Member's annual and cumulative apportioned net earnings and losses.

B. Equity Management Considerations.

Development and implementation of the Board's plan to manage the cooperative's equity will take into account any relevant economic, strategic, regulatory or other considerations. The guidelines are as follows:

1. The Executive Director is responsible for managing the day-to-day financial affairs of TSE under the Board's oversight. As such, the Executive Director will seek to ensure that the organization maintains the Board's approved equity ratio and minimum levels.
2. TSE shall maintain a minimum equity reserve of 20% of Organizational Support expenses, 20% of salaries and fringe not included in Organizational Support and a \$250,000 legal contingency.
3. The Executive Director shall report the financial status of the Cooperative to the Board at each Board meeting, provide to the Board current copies of NRECA Investment and Reserve policies as noted in Section C at each Board meeting, and otherwise upon request of the Board.
4. The Board shall select and retain a qualified, independent auditing firm to conduct an annual financial audit. The Executive Director shall be responsible for preparing the corporation's financial statements for audit by the Board's chosen auditing firm. Audit reports for each fiscal year will be subject to review and acceptance by the Board. A copy of the audited financials shall be available to all Members.
5. The Executive Director shall prepare and present to the Board, for its approval, an annual budget, which shall seek to maintain the financial levels established by the Board. At the same time, the Executive Director shall provide to the Board an equity level projection for the upcoming year. Should it be necessary to maintain the desired financial levels, the Board may request that the Executive Director seek greater efficiencies in financial management of the corporation, or increase the TSE annual dues paid by the Members.

C. Equity Investments.

TSE's cash reserves shall be invested consistent with NRECA's Investment & Reserves Policies, which may be amended from time to time.

D. Approval and Changes to the Equity Management Plan.

Management shall be held accountable for maintaining the cooperative's equity management plan, as approved by the Board, and shall routinely report on progress toward its objective, as well as opportunities to improve TSE's plans and this policy. The Board may make changes to this plan as provided under Virginia state law.

III. BOARD ESTABLISHMENT OF POLICY

This policy was originally established by the TSE Board of Directors at its meeting on the 16th day of November, 2006.

This policy is amended was amended by the TSE Board of Directors at its meeting on March 14, 2019.

APPROVED:3/14/2019

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 08

MEMBERSHIP APPLICATION & APPROVAL

IV. OBJECTIVE

To outline the policy and procedures regarding applications for membership, the review and approval or disapproval of such applications.

V. POLICY

The purpose of the membership application process is to ensure the protection of the brand by determining whether applicants for Full Membership uphold the International Co-operative Alliance seven cooperative principles and the brand's values of integrity, accountability, innovation and commitment to community as demonstrated by the cooperative's commitment to operate in accordance with these principles and values and as demonstrated by the conduct of cooperative management, staff and board. The purpose of the membership application process for Associate Membership is to ensure the protection of the brand by determining whether applicants uphold the brand's values of integrity, accountability, innovation and commitment to community demonstrated by the applicant's relationships with Full Members. Each application shall receive a fair, thorough and objective review as set forth in this policy. The board or membership committee, if created and delegated such authority, shall define and administer the process. If created and delegated such authority, then, upon the committee's favorable review, the membership committee shall approve memberships and report new memberships to the board at its next regular meeting.

III. EXPECTATIONS & LIMITATIONS

A. Membership Application. Applications for membership shall be made in writing on a standard form provided for these purposes. Incomplete applications will not be considered. TSE staff shall review each application to ensure that the applicant is eligible for membership and make membership recommendations to the board, or the board's membership committee if created and delegated that authority.

B. Membership Approval. The board, or membership committee if created and delegated this authority, shall vote to approve applicants for membership. The Executive Director or his/her designee shall notify the prospective member regarding the approval or disapproval.

C. Use of Trademarks and Program Materials. Following approval of a cooperative's application for membership, the cooperative shall execute a trademark sub-license agreement. Only after the sub-license agreement has been executed and the first dues payment received, will cooperative be authorized to begin use of the TSE trademarks and program materials, unless prior consent is given for earlier use.

IV. RESPONSIBILITY

The President shall ensure the enforcement of this policy.

APPROVED:3/14/2019

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 09

MEMBERSHIP SUSPENSION & EXPULSION

I. OBJECTIVE

To implement the Bylaws as it relates to Suspension & Expulsion.

II. POLICY

The protection of the brand and the retention of its value for all members depend upon ensuring that all members of the Corporation act in a manner consistent with the four core brand values: integrity, accountability, innovation and commitment to community. In rare instances, it may be necessary to suspend or expel a current member to avoid or minimize tarnishment of the brand.

A. Membership Suspension. As provided in TSE's bylaws and further described in this policy, any member of the Corporation may be suspended at any time for actions or omissions of that member, its governing body, or its management that are inconsistent with one or more of the International Co-operative Alliance (I.C.A.) seven cooperative principles or the brand values. Further, a member that is being considered for expulsion shall be deemed in suspension from the time the investigation period is initiated until either the board votes but fails to pass a motion recommending expulsion or vote to determine expulsion.

1. The following is a non-exhaustive list of circumstances that may merit suspension. Generally, such circumstances, while serious, do not rise to the level that expulsion should be considered at that time.

- Significant misrepresentation on membership application
- Serious allegations of unlawful conduct by members of the board or management
- Sustained, negative publicity about the cooperative and its policies
- Significant member unrest resulting in negative publicity or government scrutiny
- Misuse of the brand

2. Determination that Member Warrants Suspension. The board by majority vote may suspend a member. Within seventy-two (72) hours of the board's vote, the member shall be notified by the COO or his/her designee of the suspension, followed by notification in writing.

3. Rights and Obligations of a Suspended Member. The board may determine specific rights and obligations on a case-by-case basis as the facts and circumstances may warrant consistent with these guidelines. A suspended member shall still be responsible for paying any outstanding amounts owed to TSE during the suspension period. A suspended member may not launch any new TSE programs, but may continue to administer existing programs that the member has already implemented. A suspended member may not place orders for substantial new media buys in local or regional advertising but may honor any existing contractual

commitments for print or broadcast media. In no event shall a member remain suspended for longer than 1 year before the board either acts to consider expulsion or the suspension is lifted following successful resolution of TSE's concerns with the member.

B. Membership Expulsion. As provided in the bylaws, actions or omissions of a member, its governing body, or its management that are inconsistent with one or more of the I.C.A. cooperative principles or the brand values may be grounds for expulsion. From the time that an investigation period is initiated until either the board votes but fails to pass a motion recommending expulsion or vote to determine expulsion, the member shall be deemed to be suspended, with the rights and obligations as provided above.

1. The following is a non-exhaustive list of circumstances that may merit expulsion:

- Material misrepresentation on membership application
- Criminal or other unlawful conduct by members of the board or management or a publicly-known government investigation regarding alleged unlawful conduct
- Sustained, negative publicity about the cooperative and its policies that has or may create a spill-over effect to other cooperatives in the state, region or even nationally
- Extreme member unrest resulting in negative publicity and/or government scrutiny
- Egregious misuse of the brand

2. Any member may submit information to the President or the COO regarding circumstances that may warrant a member's suspension or expulsion. Such reports shall be kept confidential.

3. Investigation of Facts and Circumstances by Independent Committee. As provided in TSE's bylaws, the President shall appoint an independent committee comprised of the Vice President, one other member of the board of directors, the Chair of the Regional Members, and two senior level staff representatives from two different Full Members to investigate the facts for a period up to sixty (60) days. Should any of these individuals represent the member being considered for expulsion, then another director or representative shall be appointed by the President to the independent committee. During the investigation period, the independent committee shall notify the board and general manager/CEO of the member under investigation. That member's Regional Member, if there is one, will also be notified. The independent committee is authorized to: (a) request documents and information from the member under investigation and from other sources believed to have information pertinent to the investigation; (b) conduct interviews of the staff or board members of the member under investigation and others believed to have pertinent information; (c) meet in person or by conference call; and (d) consult with TSE's legal counsel.

4. All committee discussions, notes and minutes of meetings shall be confidential.

5. Recommendations to the Board. Upon completion of its investigation, the independent committee shall summarize the results of its investigation and report this summary along with its recommendations regarding whether or not to expel the member under consideration in writing to the board.

6. Board Meeting to Consider Expulsion & Ability of the Member to be Heard Prior to the Board Vote. As provided in TSE's bylaws, the member being considered for expulsion will receive notification of not less than ten (10) days prior of the date of the board of directors meeting at which expulsion is an agenda item and be provided the opportunity to address the board before it acts on a motion to expel at this meeting.

a. If the board meeting is by conference call, the member will receive the notice of the meeting with the date, time and dial-in instructions for the call. If the board meeting is in person, the member will receive the notice of the meeting with the date, time and location of the meeting. The member may only participate for the portion of the meeting during which the agenda designates the member may make a statement regarding its membership and the circumstances that have caused the member to be considered for expulsion. Following the statement, the member will be dismissed from the meeting and the board shall continue with the remainder of its meeting.

b. As provided in TSE's bylaws, a two-thirds majority vote of the board of directors present and voting at a regular or special board of directors meeting at which the expulsion is an agenda item is required to pass a motion for expulsion. Within seventy-two (72) hours of the conclusion of the board's meeting, the President, or other designated officer, shall notify the member of the results of the board's vote on recommending expulsion, followed by notification in writing.

C. The board may authorize a refund of all or a portion of an expelled member's final dues payment upon the member's (1) satisfaction of all outstanding obligations to the Corporation and (2) discontinuation of use of all TSE trademarks and program materials.

D. Reinstatement of Membership After Expulsion. A member who is expelled may apply to be reinstated as a member of the corporation no sooner than one (1) year following the date of expulsion, according to the provisions of Policy 08.

III. RESPONSIBILITY

The President, Vice President and Chair of the Regional Members shall be responsible for ensuring compliance with and enforcement of this policy.

APPROVED:7/27/2016

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY 10

NOMINATIONS, ELECTIONS & VOTING

I. OBJECTIVE

To implement the Bylaws as they relate to nominations, elections and voting.

II. POLICY

- a. General Charge – The Board charges the Executive Director, with support from TSE staff, to manage TSE nominations, election and voting, consistent with Virginia law and the corporation's Bylaws and policies.
- b. Nominations to the Board – The Executive Director will make a call to all Regional Members and Full Members for qualified nominees to the Board, with a reasonable amount of time in advance of a Board election. The call will provide a reasonable deadline for submitting a nomination, after which no nominations will be considered for the ballot. Regional Members, or Full Members petitioning a nominee, shall provide written nominations in a form consistent with the Executive Director's call for nominations, which shall reasonably prescribe how such nominations should be submitted. Submitted nominations will require a statement that the nominee is qualified and capable to serve as a director pursuant to the Bylaws and the nominee has reviewed and understands Board Policy No. 1. All nominations are subject to inspection and requests for further information about the nominee by TSE staff.
 - i. Nomination by Petition – Full Members making a nomination by petition pursuant to Section 3.4 of the Bylaws must submit the necessary petition to the Executive Director for inspection by TSE staff by the deadline noted above. The petition should be capable of reasonable verification of the information provided therein. TSE staff shall have the ability to request additional information to verify the petition. Full Members wanting to nominate by petition are encouraged to contact TSE staff as soon as the Executive Director makes the call for nominations to discuss the process and avoid missing deadlines or having their nomination fail due to form.
- c. Board Elections
 - i. The Board shall determine the date and time of the annual electronic business meeting and Board election at its Summer Regular Meeting. The TSE staff will set other dates and time regarding the election calendar.

- ii. TSE staff will assist the Secretary of the Board with providing formal notice of an upcoming Board election consistent with Virginia law, the Bylaws and policies. TSE members, by agreeing to be bound by the governing documents and policies of the Cooperative, consent to electronic communications and notice for the annual business meeting of members and Board elections.
- iii. The Board appoints the President of the Board as the Chair of the annual business meeting of members at which the Board election is conducted.
- iv. The Board appoints TSE legal counsel as inspector of Board elections as the position is established under Virginia law.
- v. The record date for establishing a list of those members permitted to receive notice of the annual business meeting and vote at Board election will be seven (7) calendar days before the deadline to appoint a voting delegate.
- vi. To the extent permitted by Virginia law and the Bylaws, the annual business meeting, including Board elections, may be conducted by electronic means. Electronic communications to satisfy any requirement for notice, proxy, writing or signature are permitted to the extent it is permitted by Virginia law and the Bylaws.
- vii. Regional Members shall provide a copy of the mock ballot to their affiliated systems reasonably in advance of the deadline to name a voting delegate or appoint a proxy. TSE staff will provide Regional Members with the mock ballot.

d. Voting

- i. Consistent with the Bylaws, each Full Member shall have a vote at Board elections and matters for which the membership votes.
- ii. TSE staff will make reasonable efforts to annually establish a current database of voting delegates named for each member, who will then be presumed and considered the authorized representative for the member at that year's annual meeting and Board election.
 - 1. TSE staff will contact member CEO/GMs annually to establish who the current authorized voting delegate is for their respective cooperative and shall consider the CEO/GM with the authority for naming a voting delegate. The CEO/GM can appoint himself or herself as the voting delegate, or an employee or director of the respective cooperative. If a CEO/GM fails to appoint a voting delegate by the deadline, he or she will be considered the voting delegate by default, unless and until TSE is timely notified otherwise.
- iii. **Proxy Voting** – consistent with the Bylaws, Regional Members may vote the proxies of those affiliated Full Members who have assigned their proxy. TSE will manage a process by which a Full Member may assign their Regional Member as their proxy. This process shall be concurrent with the process by which TSE staff requests the Full Member to appoint their authorized voting delegate as noted in Section (d)(ii)(1). TSE staff shall implement a process that is consistent with Virginia law, the Bylaws, and policies, and achieves

efficiency of having the process of selecting a voting delegate or assigning a proxy in one form. Assignment of proxies may be done electronically.

1. Regional Members have an obligation to provide TSE staff an updated list of their affiliated Full Members and their contact information pursuant to Section 2.4 of the Bylaws. This list shall be provided to TSE staff before the Board's Summer Regular Meeting.
2. A Full Member who intends to assign their Regional Member as their proxy must advise their Regional Member in advance of the assignment. Proxy assignments must be submitted no later than the deadline for submitting voting delegates. TSE legal counsel can request additional information in his/her reasonable discretion to verify that a proxy was properly assigned.

e. Results

- a. TSE staff shall administer the receipt and counting of votes under the supervision and ultimate determination of the inspector.
- b. Internal auditors shall be included and asked to review the process and results of a Board election in the discretion of legal counsel.
- c. Within a reasonable time, the inspector shall certify the results to the Executive Director.
- d. The certified results of a Board election will be reported within a reasonable time. The Executive Director will first inform the Board President. Then the Executive Director will inform the Board at-large. Then the Executive Director will inform the nominees – first those who were unsuccessful, then those who were successfully elected. Finally, the Executive Director will inform the entire membership of the results.
- e. All member ballots shall be kept confidential.
- f. Regional Members may request a tally of how many of its affiliated systems voted in a Board election, but will not be provided the names of affiliated systems that voted or not.

f. Campaigning

- a. Nominees and members are permitted to campaign consistent with the values of TSE.
- b. TSE staff is prohibited from any action that would be considered campaigning, improperly influencing or improperly aiding a nominee's campaign. This does not prohibit nominees from speaking with Executive Director in good faith about appropriate informational requests concerning the Board election.
- c. Upon request, nominees may receive a list of voting delegates or proxies of TSE members, and their corresponding cooperative and contact information after the list has been finalized. Until then, and upon request, nominees may request a list of TSE members and their CEO/GM's names and contact information.

Nominees must agree that the information provided be kept confidential and may only be used for the limited purpose of campaigning for the Board election. Nominees must agree the information provided must be destroyed or returned after the Board election.

III. RESPONSIBILITY

This policy shall be the responsibility of the Executive Director and legal counsel.

APPROVED: 7/11/2018

TOUCHSTONE ENERGY COOPERATIVE, INC.

POLICY NO. 11

Co-op Web Builder Program Cybersecurity (Data Security) Policy

I. Objective

The objective of this policy is to mitigate and manage risk and costs associated with a potential or realized cyber breach involving Touchstone Energy Cooperative, Inc. (TSE)'s Co-op Web Builder Program. The TSE Board of Directors (Board) realizes that cybersecurity for the Co-op Web Builder Program is important and is part of its governance responsibility and strategy. The Board's oversight of cyber risk management, as it pertains to the Co-op Web Builder Program, is important to ensuring TSE is taking reasonable steps to prepare for and respond to the harms that can result from breaches to the Co-op Web Builder Program.

This Policy's scope is focused specifically on cyber risk associated with TSE's Co-op Web Builder Program. It should be read consistent with and does not add, change or alter any obligations under other Board policies or the Administrative and Management Agreement between TSE and NRECA. It is acknowledged that the TSE staff are employees of NRECA pursuant to the Administrative and Management Agreement between TSE and NRECA.

II. Policy

The Board plays an important role in facilitating and encouraging a culture that views cybersecurity as a business issue impacting the Co-op Web Builder Program. The Board shall encourage development of policies, procedures and contractual protections that address cyber risk associated with the Co-op Web Builder Program, especially protecting against data breach and providing for timely and effective data breach response. Response not only involves restoring system integrity but also investigation, reporting and regular communication, internally and externally (particularly with TSE members directly affected by a breach), upon discovery, where it is reasonable and lawful under the circumstances. Finally, the Board shall consider cyber insurance, or have reviewed existing policies, (both for the cooperative and directors and officers insurance) to ensure that these policies cover cyber risk and liability arising from the Co-op Web Builder Program, in particular data security.

III. Expectations

- A. Directors should reasonably understand and reasonably appreciate the cyber risk to the Co-op Web Builder Program.
 - 1. The Board understands the potential retention of cyber security experts and consultants to provide periodic updates on new developments as they relate to the Co-op Web Builder Program.
 - 2. TSE staff will assist Directors in maintaining a reasonable understanding of the cyber risk to the Co-op Web Builder Program and to help keep Directors abreast

- of relevant and current industry trends and relevant developments and issues dealing with cybersecurity risk as it relates to the Co-op Web Builder Program.
 - 3. Continuously and reasonably assess Directors' capacity to address relevant cyber risk issues related to the Co-op Web Builder Program.
 - 4. Require reasonable "health check" reports of Co-op Web Builder Program cybersecurity program at reasonable intervals. "Health check" reports shall cover cyber risks as they relate to the Co-op Web Builder Program only.
- B. Directors should generally understand the legal implications of cyber risks as they relate to TSE's Co-op Web Builder program and its specific circumstances.
- 1. Review and generally understand the cyber risks associated with third-party service providers to the Co-op Web Builder Program, including IT outsourcing, business process outsourcing, and cloud solutions.
 - 2. Be made aware of any major data breach attempts and actual data breaches affecting the Co-op Web Builder Program.
- C. The Board should have reasonable and adequate access to cybersecurity expertise and discussions about cyber risk management for the Co-op Web Builder Program.
- 1. When reasonable and necessary, engage third-party experts.
 - 2. Board meeting minutes should regularly and reasonably reflect that cybersecurity relating to the Co-op Web Builder Program is being discussed by the Board.
- D. The Board will set the expectation that the COO, with assistance from senior/relevant TSE staff, will establish a cyber-risk management plan for the Co-op Web Builder Program, which includes providing reasonable resources for the Co-op Web Builder Program's specific circumstances and after conducting a reasonable cyber risk assessment.
- 1. Ensure that the COO communicates the Co-op Web Builder Program cyber risk management plan to all necessary TSE staff.
 - 2. Require orientation for relevant new TSE staff and ongoing education for all necessary TSE staff to enable them to maintain an appropriate level of understanding of the Co-op Web Builder's cyber risk and its cyber risk management plan.
- E. Board-management discussions of cyber risk associated with the Co-op Web Builder Program should include identification, and reasonable prioritization, of which risks to avoid, accept, mitigate, or transfer through insurance given TSE's specific circumstances and available resources, as well as specific plans associated with each approach.
- 1. Verify that the cyber insurance coverage limits are reasonably sufficient given TSE's specific circumstances and to address the Co-op Web Builder's potential cyber risks.

IV. Responsibilities

A. The Board President shall see that this policy is carried out.

B. Board is responsible for:

1. Generally understanding the nature and magnitude of cyber risks and liability for which TSE is exposed due to the Co-op Web Builder Program;
2. General oversight of the TSE's cyber risk plan for the Co-op Web Builder Program and its implementation, which is the responsibility of the COO, with support from senior/relevant TSE staff;
3. Providing reasonably adequate resources in order to implement the cyber risk plan for the Co-op Web Builder Program;

C. The COO is responsible for:

1. Development and implementation of a reasonably adequate cyber risk plan for the Co-op Web Builder Program;
2. Providing regular reports to the Board regarding the status of the plan and any significant breach attempts or actual incidents incurred by the Co-op Web Builder Program.

APPROVED: 9/19/2016