



## EQUITY MANAGEMENT PLAN POLICY

Effective Date: October 20, 2023

### POLICY AT A GLANCE

PEC is committed to maintaining a financially healthy Cooperative through equity stabilization.

### EQUITY MANAGEMENT AT PEC

**Total Equity Ratio**

$$\begin{array}{ccc} \text{Total Equity} & & \text{Total} \\ \text{Ratio} & = & \text{Equity} \\ \text{Ratio} & & \text{Assets} \end{array}$$

The diagram illustrates the Total Equity Ratio formula. On the left, the text "Total Equity Ratio" is positioned above a calculator icon. This is followed by an equals sign. On the right, a fraction is shown with "Total Equity" and a bar chart icon in the numerator, and "Total Assets" and a safe icon in the denominator.



## 1. PURPOSE

The purpose of the Equity Management Plan Policy (“Policy”) is to document the intent of the Board of Directors (“Board”) to continue maintaining a financially healthy Cooperative through equity stabilization. The Board uses a number of measures to determine the financial health of Pedernales Electric Cooperative, Inc. (“PEC” or “Cooperative”) but for purposes of this Policy, the Board emphasizes the ratio of Total Equity as a percentage of Total Assets.

## 2. SCOPE

This Policy applies to the Board and all PEC employees.

## 3. POLICY AND IMPLEMENTATION

- 3.1. The Board will assign the Chief Financial Officer the responsibility of reporting on the Cooperative’s performance relative to the Target Equity Range.
- 3.2. At least annually, Management will report, to the Board, on the financial position of the Cooperative and will outline any actions which are deemed necessary to maintain the Target Equity Range.
- 3.3. At least annually, the Board will review the projections for operating and capital expenditures, along with the projections for equity and debt balances, with respect to the Target Equity Range.
- 3.4. If an updated projection is not available, the Board-approved budget will suffice to assess the Cooperative’s financial health relative to the Target Equity Range.

## 4. DEFINITIONS

- 4.1. **Total Assets** – The same asset accounts that make up the “Total Assets” of the Cooperative as reported on the most recent audited financial statements.
- 4.2. **Total Equity** – The same equity accounts used for determining “Total Equities” on the most recent audited financial statements.
- 4.3. **Target Equity Range** – A ratio of Total Equity to Total Assets in the range of 32% - 45%.

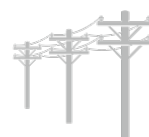
## 5. POLICY ENFORCEMENT

The Board is responsible for enforcing this Policy. Violation of this Policy may result in disciplinary action, up to and including, termination.

## 6. REFERENCES AND RELATED DOCUMENTS

[Capital Credits Policy](#)

[Budget Policy](#)



Date adopted:	January 1, 2015
Last reviewed:	October 20, 2023
Review frequency:	Every Three Years
Amendment dates:	October 20, 2023
Effective date:	October 20, 2023
Approver:	Board of Directors
Applies to:	Board of Directors and all PEC Employees
Administrator:	Chief Financial Officer
Superseding effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

