

PNM RESOURCES INC  
Form DEF 14A  
April 03, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- y Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

PNM Resources Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- y No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1 ) Title of each class of securities to which transaction applies:
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  - (2 ) Form, Schedule or Registration Statement No.:
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  - (4 ) Date Filed:

PNM Resources, Inc.  
414 Silver Ave. SW  
Albuquerque, NM 87102-3289  
www.pnmresources.com

## NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS

To Our Shareholders:

The 2014 annual meeting of shareholders of PNM Resources, Inc. will be held as follows:

Thursday, May 15, 2014, at 9:00 a.m. MDT

DATE AND TIME:

PLACE: PNM Resources, Inc.  
Corporate Headquarters - 4th Floor  
414 Silver Avenue SW  
Albuquerque, New Mexico  
(map to meeting location included on back of proxy statement)

WHO CAN VOTE: You may vote if you were a shareholder of record as of the close of business on March 26, 2014.

- ITEMS OF BUSINESS:
- (1) Elect nine (9) directors.
  - (2) Ratify appointment of KPMG LLP as independent public accountants for 2014.
  - (3) Approve the PNM Resources, Inc. 2014 Performance Equity Plan.
  - (4) Approve, on an advisory basis, the compensation of our named executive officers.
  - (5) Consider any other business properly presented at the meeting.

On April 3, 2014, we began mailing to our shareholders either (1) a Notice of Internet Availability of Proxy Materials which indicates how to access our proxy materials on the Internet or (2) a printed copy of our proxy materials.

VOTING: After reading the proxy statement, please promptly vote by telephone or Internet or by signing and returning the proxy card so that we can be assured of having a quorum present at the meeting and so your shares may be voted in accordance with your wishes. See the questions and answers in our proxy statement about the meeting (including how to listen to the meeting by webcast), voting your shares, how to revoke a proxy and how to vote shares in person.

By Order of the Board of Directors

Patricia K. Collawn  
Chairman, President and Chief Executive Officer

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2014:**

This Notice of Annual Meeting; our 2014 proxy statement; our 2013 Annual Report on Form 10-K; a shareholder letter from Patricia K. Collawn, our Chairman, President and CEO; and stock performance graph are available at [www.proxyvote.com](http://www.proxyvote.com) and <http://www.pnmresources.com/asm/annual-proxy.cfm>.

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TABLE OF CONTENTS

Cover	<u>Notice of 2014 Annual Meeting of Shareholders</u>
i	Table of Contents
ii	<u>Glossary</u>
1	<u>Questions and Answers About the Annual Meeting and Voting</u>
6	<u>Information About Our Corporate Governance</u>
6	<u>Corporate Governance Principles</u>
6	<u>Code of Ethics</u>
7	<u>Majority Voting for Directors</u>
7	<u>Director Independence</u>
7	<u>Board Leadership Structure and Lead Director</u>
8	<u>Board’s Role in Risk Oversight</u>
8	<u>Communication with the Board</u>
9	<u>Director Service Policy</u>
9	<u>Equity Compensation Awards Policy</u>
9	<u>Related Person Transaction Policy</u>
10	<u>Additional Information About Our Board and Board Committees</u>
10	<u>Board Meetings</u>
10	<u>Board Committees and their Functions</u>
13	<u>Director Compensation</u>
15	<u>Ownership of Our Common Stock</u>
15	<u>Five Percent Shareholders</u>
16	<u>Executive Officers and Directors</u>
17	<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>
17	<u>Proposal 1: Elect Nine Directors</u>
17	<u>General Information</u>
17	<u>Directors Nominated This Year</u>
21	<u>Audit and Ethics Committee Report</u>
22	<u>Independent Auditor Fees</u>
23	<u>Proposal 2: Ratify Appointment of Independent Public Accountants</u>
23	<u>Proposal 3: Approve the PNM Resources, Inc. 2014 Performance Equity Plan</u>
32	<u>Proposal 4: Advisory Vote to Approve Compensation of Named Executive Officers</u>
33	<u>Executive Compensation</u>
33	<u>Compensation Discussion and Analysis</u>
45	<u>Compensation and Human Resources Committee Report</u>
46	<u>Summary of 2013 NEO Compensation</u>
65	<u>Equity Compensation Plan Information</u>
A-1	<u>Appendix A: 2013 Benchmark Data</u>
B-1	<u>Appendix B: PNM Resources, Inc. 2014 Performance Equity Plan</u>

GLOSSARY OF TERMS USED IN THIS PROXY

After-Tax Plan	PNM Resources, Inc. After-Tax Retirement Plan
AIP	PNM Resources, Inc. Officer Annual Incentive Plan
Annual Meeting	Annual Meeting of PNM Resources, Inc. shareholders, to be held on May 15, 2014
Audit Committee	Audit and Ethics Committee of the Board
Board	Board of Directors of PNM Resources, Inc.
CD&A	Compensation Discussion and Analysis beginning on page 33
CEO	PNM Resources, Inc., Chief Executive Officer
CFO	PNM Resources, Inc., Chief Financial Officer
Compensation Committee	Compensation and Human Resources Committee of the Board
COO	PNM Resources, Inc., Chief Operating Officer
Company, PNMR or PNM Resources	PNM Resources, Inc.
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
	PNM Resources, Inc. Executive Spending Account Plan, which allows PNM Resources, Inc. Officers to receive reimbursement for income tax preparation, financial management and counseling services, estate planning, premiums for life and other insurance and travel expenses related to medical or financial planning services
ESA	PNM Resources, Inc. Executive Savings Plan, adopted in 1998. On December 17, 2008, this plan was merged into PNM Resources, Inc. Executive Savings Plan II
ESP	PNM Resources, Inc. Executive Savings Plan II
ESP II	PNM Resources, Inc., Executive Vice President
EVP	Financial Accounting Standards Board Accounting Standards Codification Topic 718 (Compensation - Stock Compensation)
FASB ASC Topic 718	Non-GAAP performance measure calculated for the purpose of determining certain long-term equity and cash incentive awards, as described in the CD&A. Equals PNMR's funds from operations for the fiscal year divided by PNMR's total debt outstanding (including certain long-term leases and unfunded pension plan obligations) as of the end of the fiscal year. Funds from operations are equal to the amount of PNMR's net cash flow from operating activities (as reflected on the Consolidated Statement of Cash Flows) adjusted by the following items: (1) adding amounts received by PNMR as principal payments on the Palo Verde Nuclear Generating Station lessor notes, (2) including amounts attributable to principal payments on imputed debt from long-term leases, (3) excluding changes in certain of PNMR's current assets and liabilities, as well as bad debt expense, (4) excluding the impacts of the Valencia Energy Facility consolidation, (5) excluding the impact of capitalized interest, and (6) excluding any contributions to the PNMR and TNMP qualified pension plans. The FFO/Debt Ratio levels are not necessarily identical to any earnings outlook or guidance that may be announced by the Company and are structured to ensure that award payments are not artificially inflated or deflated
FFO/Debt Ratio	
GAAP	Generally Accepted Accounting Principles
GPBA Table	Grants of Plan Based Awards Table beginning on page 52



Incentive EPS	<p>Non-GAAP adjusted earnings per share performance measure calculated for the purpose of determining awards under the AIP in accordance with the AIP for the applicable year. Incentive EPS is corporate earnings per share, excluding non-recurring items that do not factor into ongoing earnings. Incentive EPS levels are not necessarily identical to any earnings outlook or guidance that may be announced by the Company and are structured to ensure that award payments are not artificially inflated or deflated. For 2013, Incentive EPS of \$1.41 equals net earnings attributable to PNMR per common share (as reflected on the Consolidated Statements of Earnings) of \$1.25 adjusted to exclude (i) \$(0.01) per share attributable to the mark-to-market impact of economic hedges, (ii) \$(0.01) per share attributable to net change in unrealized impairments of certain securities, (iii) \$0.09 per share attributable to regulatory disallowances, (iv) \$0.02 per share attributable to losses on reacquired debt and (v) \$0.07 per share attributable to the loss, impairment, or write-up of any deferred tax asset or liability that was earned and recognized in a prior tax year, but that was revalued in the current year due to a current year change in state or federal law. For 2012, Incentive EPS of \$1.31 equals net earnings attributable to PNMR per common share (as reflected on the Consolidated Statements of Earnings) of \$1.31 adjusted to exclude (i) \$(0.01) per share attributable to the mark-to-market impact of economic hedges, (ii) \$(0.04) per share attributable to the net change in unrealized impairments of certain securities, (iii) \$(0.01) per share attributable to the gain on sale of the First Choice Power business, (iv) \$(0.01) per share attributable to a one-time collection by TNMP related to unrecovered transmission costs from the 1999-2000 time period, (v) \$0.06 per share attributable to costs incurred in the consolidation of building space and (vi) \$0.01 per share attributable to process improvement initiatives. Incentive EPS herein refers to 2013 unless otherwise stated</p>
KPMG	KPMG LLP
LTIP or Long-Term Incentive Plan	Long-Term Incentive Plan detailing measurements and metrics for specific plan years within the scope of the governing PEP
Meridian	Meridian Compensation Partners, LLC, the compensation consultant previously retained by the Compensation Committee and the Nominating Committee
NEO(s) or named executive officer(s)	Named Executive Officers of PNM Resources, Inc. consisting of our five most highly compensated executive officers including the CEO and CFO
Nominating Committee	Nominating and Governance Committee of the Board
Notice	Notice of Internet Availability of Proxy Materials
NYSE	New York Stock Exchange
Officer(s)	PNM Resources, Inc. Officer(s)
Pay Governance	Pay Governance LLC, the compensation consultant currently retained by the Compensation Committee and the Nominating Committee
PEP	A general reference to the applicable form of the Company's performance equity plan, including the 2009 PEP and the 2014 PEP, that covers incentive compensation awards to certain employees and

	non-employee directors
2009 PEP	PNM Resources, Inc. Second Amended and Restated Omnibus Performance Equity Plan, effective May 19, 2009, as amended by the First Amendment thereto effective May 17, 2011, the Second Amendment thereto effective with respect to awards made pursuant to the 2012 LTIP and March 21, 2012 with respect to other awards, and the Third Amendment thereto effective May 21, 2012
2014 PEP	PNM Resources, Inc. 2014 Performance Equity Plan, that upon receipt of shareholder approval will replace the 2009 PEP
PNM	Public Service Company of New Mexico, a wholly owned subsidiary of PNM Resources, Inc.
PNM Resources, PNMR or Company	PNM Resources, Inc., which trades on the NYSE under the symbol "PNM"
PNMR Peer Group	Utility and energy companies comprising the PNMR director and executive compensation peer group listed on page 43
PS	Performance share award opportunity granted



Retention Plan	PNM Resources, Inc. Officer Retention Plan
RSA	Time-vested restricted stock right award
RSP	PNM Resources, Inc. Retirement Savings Plan, a 401(k) plan
S&P	Standard & Poor's Financial Services LLC
SEC	Securities and Exchange Commission
SCT	Summary Compensation Table beginning on page 47
Severance Plan	PNM Resources, Inc. Non-Union Severance Pay Plan
SVP	PNM Resources, Inc., Senior Vice President
Tax Code	Internal Revenue Code of 1986, as amended
TNMP	Texas-New Mexico Power Company, an indirect wholly owned subsidiary of PNMR
Total Cash Compensation or TCC	Total Cash Compensation, which consists of the total of base salary and short-term cash incentives
Total Direct Compensation or TDC	Total Direct Compensation, which consists of base salary, short-term incentives and all long-term incentives (equity grants, performance-based grants, performance cash)
Total Shareholder Return or TSR	A comparison over time of share price appreciation and dividends paid to show the total return to the shareholder. $TSR = (Price_{end} - Price_{begin} + Dividends) / Price_{begin}$
Towers Watson	Towers Watson & Co., the compensation consultant retained by PNMR management
2013 Benchmark Data	The compensation data from companies included in (1) the PNMR Peer Group and (2) the 2012 Towers Watson U.S. CDB General Industry Executive Database of similarly sized companies (companies with revenue of \$1 Billion - \$3 Billion), weighted respectively at 75% and 25%, to derive the weighted median. The two compensation databases provide information on base salary and short-term cash incentives (collectively, TCC), the expected value of long-term incentives and the Total Direct Compensation (or TDC, which is the sum of TCC and long-term incentives). The companies in the 2013 Benchmark Data for the 2012 Towers Watson U.S. CDB General Industry are listed in Appendix A

PNM Resources, Inc.  
Proxy Statement for 2014 Annual Meeting of Shareholders  
Thursday, May 15, 2014

## QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

### 1. Why did I receive these proxy materials?

You are receiving these materials because you owned shares of our common stock as of March 26, 2014, and are therefore eligible to vote at the Annual Meeting. This proxy statement summarizes the information you need to know to vote at the Annual Meeting. For a list of terms defined and used in this proxy statement, see the Glossary beginning on page ii.

After reading the proxy statement, please promptly vote by telephone or Internet or by signing and returning the proxy card so that we can be assured of having a quorum present at the meeting and so your shares may be voted in accordance with your wishes. You do not need to attend the Annual Meeting to vote your shares.

### 2. What is included in these proxy materials?

These proxy materials include:

- Notice of Annual Meeting
- Our proxy statement for the Annual Meeting;
- Our 2013 Annual Report on Form 10-K, which includes our consolidated financial statements;
- A shareholder letter from Patricia K. Collawn, our Chairman, President and CEO, and the stock performance graph.

If you requested printed versions of these materials by mail, these materials also include the proxy card for the Annual Meeting. Proxy materials are available at:

[www.proxyvote.com](http://www.proxyvote.com) and <http://www.pnmresources.com/asm/annual-proxy.cfm>.

### 3. Why did I receive a one-page notice in the mail regarding Internet availability of proxy materials instead of printed proxy materials?

Most shareholders received a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a full set of printed proxy materials. The Notice provides access to proxy materials in a fast and efficient manner via the Internet. This reduces the amount of paper necessary to produce these materials, as well as costs associated with mailing these materials to shareholders.

On April 3, 2014, (1) we began mailing to our shareholders either (a) the Notice (which indicates how to access our proxy materials on the Internet) or (b) a printed copy of our proxy materials, and (2) posted our proxy materials on the website referenced in the Notice.

All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. The Notice includes instructions on how to access the proxy materials over the Internet or how to request proxy materials in printed form by mail or electronically by email for this meeting and on an ongoing basis. Pursuant to applicable law, beneficial owners of shares held in the RSP (our 401(k) plan for employees) will automatically receive paper copies of the proxy materials by mail instead of the Notice. In addition, shareholders who previously requested printed proxy materials or electronic materials on an ongoing basis received the materials in the format requested.

4. How may I obtain copies of the Annual Report on Form 10-K?

As stated above and reflected in the Notice, our Annual Report on Form 10-K for the year ended December 31, 2013, (previously filed with the SEC) was made available to shareholders beginning on April 3, 2014. Copies of the Annual Report on Form 10-K are available without charge upon written request to Leo Gonzalez, Assistant Treasurer, Corporate Headquarters, Mail Stop 0905, Albuquerque, New Mexico 87102-3289, or electronically at [www.pnmresources.com](http://www.pnmresources.com) (under Investor Relations). You may also obtain our SEC filings through the Internet at [www.pnmresources.com](http://www.pnmresources.com) (under Investor Relations) or [www.sec.gov](http://www.sec.gov).

5. Who may vote at the Annual Meeting?

You may vote all of the shares of our common stock that you own at the close of business on March 26, 2014, the record date. On the record date, PNM Resources had 79,653,624 shares of common stock outstanding that are entitled to be voted at the Annual Meeting. You may cast one vote for each share of common stock held by you on all matters presented at the Annual Meeting.

6. What proposals will be voted on at the Annual Meeting?

The following four proposals will be considered and voted on at the Annual Meeting:

Proposal No.	Description of Proposal	Proposal discussed on following pages:	Board Recommendation
1	Elect nine (9) directors	17 to 20	FOR
2	Ratify appointment of KPMG LLP as independent public accountants for 2014	23 to 23	FOR
3	Approve PNM Resources, Inc. 2014 Performance Equity Plan	23 to 31	FOR
4	Approve, on an advisory basis, our NEO compensation	32 to 32	FOR

7. Will any other business be conducted at the Annual Meeting or will other matters be voted on?

As of the date of this proxy statement, we are unaware of any other matter (other than the above four proposals listed in the Notice of Annual Meeting of Shareholders) that may be properly presented at the Annual Meeting. If any other matter is properly presented for consideration at the meeting, including consideration of a motion to adjourn the meeting to another time or place, the proxy committee will vote on the matter in accordance with its judgment. Shareholders attending the meeting will directly vote on any such matters.

8. How do I vote my shares?

For your convenience, we have established four easy methods for voting shares held in your name:

Access [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions.

(You will need the control number on your Notice or on the requested paper proxy card to vote your shares.)

By Internet:

Shareholders voting through the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies that must be paid by the shareholder.

By Telephone:

For automated telephone voting, call 1-800-690-6903 (toll free) from any touch-tone telephone and follow the instructions. (You will need the control number on your Notice or on the requested paper proxy card to vote your shares.)

By Mail:

Request delivery of the proxy statement and proxy card by mail and then simply return your executed proxy card in the enclosed postage-paid envelope.

In Person:

You can attend and cast your vote at the Annual Meeting.

Your shares will be voted in the manner you indicate. The telephone and Internet voting systems are available 24 hours a day. They will close at 11:59 p.m. Eastern Time on May 14, 2014. Please note that the voting deadline is earlier for voting shares held in our RSP, as described below under question 15.

9. What constitutes a quorum and why is a quorum required?

A quorum of shareholders is necessary to conduct business at the Annual Meeting. If at least a majority of all of the PNM Resources common stock outstanding on the record date is represented at the Annual Meeting, in person or by proxy (by voting by telephone or on the Internet or by properly submitting a proxy card or voting instruction form by mail), a quorum will exist. Abstentions, withheld votes, and broker non-votes will be counted as present for quorum purposes.

2

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10. What vote is required to approve each proposal?

The existence of a quorum and the following votes are required for approval of each proposal at the Annual Meeting:

Proposal No.	Affirmative Vote Requirement	Effect of Abstentions and Broker Non-Votes (See Questions 16-18 below)
1: Elect nine (9) Directors	Majority of shares present, in person or by proxy, and entitled to vote on the matter	Votes may be cast in favor or withheld from each director nominee. Abstentions and withheld votes have the effect of a vote against the nominee. Broker non-votes will not be counted in calculating voting results.
2: Ratify Auditors	Majority of shares present, in person or by proxy, and entitled to vote on the matter	Abstentions have the effect of a vote against the matter. Brokers may vote your “street name” shares on this routine matter without your instructions.
3. Approve PNM Resources, Inc. 2014 Performance Equity Plan	Majority of shares present, in person or by proxy, and entitled to vote on the matter*	Abstentions have the effect of a vote against the matter, while broker non-votes will not be counted in calculating voting results.
4: Advisory vote to approve NEO Compensation	Majority of shares present, in person or by proxy, and entitled to vote on the advisory matter	Abstentions have the effect of a vote against the matter, while broker non-votes will not be counted in calculating voting results.

\* Further, in order to satisfy the requirements of New Mexico law relating to director conflict of interest transactions, shares owned by or voted under the control of our directors are not entitled to be counted in the vote to approve the PNM Resources, Inc. 2014 Performance Equity Plan.

11. What is a proxy?

A proxy is your legal designation of another person (the “proxy”) to vote on your behalf. By voting by telephone or the Internet, or by completing and mailing a printed proxy card, you are giving the proxy committee appointed by the Board, A. J. Fohrer, R. R. Nordhaus and B. W. Wilkinson, the authority to vote your shares in the manner you indicate. If you are a shareholder of record and sign and return your proxy card without indicating how you want your shares to be voted, or if you vote by telephone or Internet in accordance with the Board of Directors’ voting recommendations, the proxy committee will vote your shares as follows:

- FOR the election of the nine (9) directors nominated;
- FOR ratification of the appointment of KPMG LLP as independent public accountants for 2014;
- FOR the approval of the PNM Resources, Inc. 2014 Performance Equity Plan; and
- FOR the resolution approving the compensation of our NEOs, on an advisory basis, as disclosed in this proxy statement.

If you hold your shares in “street name” and do not provide specific voting instructions to your broker, a “broker non-vote” will result with respect to Proposals 1, 3 and 4. More information about the implications of holding your shares in street name and broker non-votes is set forth in answers to questions 10, 13, and 16-18.

12. Can I change my vote or revoke my proxy?

Yes. Any subsequent vote by any means will change your prior vote. The last vote actually received before the Annual Meeting will be the one counted. You may also revoke your proxy by voting in person at the Annual Meeting.

13. What is the difference between a “shareholder of record” and a “street name” holder?

These terms describe how your shares are held. If your shares are registered directly in your name with Computershare, the Company’s transfer agent, you are a “shareholder of record” with respect to those shares, and the Notice was sent directly to you by PNM Resources.

3

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If your shares are held in the name of a broker, bank, trust or other nominee as a custodian, you are a “street name” holder, and the Notice would have been forwarded to you by that organization. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. If you wish to attend the Annual Meeting and vote in person, you must obtain a legal proxy from the organization that holds your shares. Please contact that organization for instructions regarding obtaining a legal proxy.

14. Why did I receive more than one proxy card or notice?

You will receive multiple proxy cards or Notices if you hold your shares in different ways (e.g., joint tenancy, trusts, custodial accounts) or in multiple accounts. Each Notice and proxy card that you receive will contain a specific “control number” with the relevant information to vote the specific shares at issue. Note that the proxy card or Notice for shares registered in your name will include any shares you may hold in the PNMR Direct Plan, a dividend reinvestment and stock purchase plan. If your shares are held by a broker (i.e., in “street name”), you will receive a Notice on how to obtain your proxy materials and vote from your broker. You should vote according to the instructions on each Notice you receive and vote on, sign and return each proxy card you receive.

15. How do I vote my RSP shares?

If you participate in the RSP, our 401(k) plan for our employees, and shares have been allocated to your account under the PNMR Stock Fund investment option, you will receive the following materials by mail:

the proxy materials; and  
a separate vote authorization form and voting instructions for these RSP shares from the PNMR Corporate Investment Committee.

Please use the RSP vote authorization form to vote your RSP shares by telephone, Internet or mail. To allow sufficient time for the record holder of the RSP shares, The Vanguard Fiduciary Trust Company, to vote these shares, your voting instructions must be received by 11:59 p.m. Eastern Time on May 12, 2014.

16. What happens if I don't give my broker voting instructions for my “street name” shares?

You will receive proxy materials directly from your broker if your shares are not registered in your name, but are held by your broker as your “street name” shares. If you do not give your broker voting instructions, your brokerage firm may only vote your “street name” shares on certain “routine” matters. When a brokerage firm votes its customers' unvoted shares on routine matters, these shares are counted to determine if a quorum exists to conduct business at the meeting. Ratification of the appointment of KPMG as independent public accountants for 2014 is considered the only routine matter for which brokerage firms may vote your shares without your voting instructions.

17. What is a broker non-vote?

A broker non-vote occurs when a broker is not permitted under NYSE rules to vote on a “non-routine” matter without instructions from the beneficial owner of the shares and no instruction is given. “Non-routine” matters include the election of directors, actions relating to equity compensation plans and actions relating to executive compensation (including Say-on-Pay shareholder advisory votes). Thus, your “street name” shares cannot be voted on Proposals 1, 3 and 4 without receipt of your voting instructions.

We encourage you to provide instructions to your broker by giving your proxy. This ensures that your shares will be voted in accordance with your wishes on all matters at the Annual Meeting.

18. How are votes withheld, abstentions and broker non-votes treated?



As discussed in questions 9 and 10, votes withheld and abstentions are deemed as present at the Annual Meeting, are counted for quorum purposes, and will have the same effect as a vote against matters requiring a majority of shares present and entitled to vote on the matter. Broker non-votes, if any, while counted for general quorum purposes, are not deemed to be present with respect to any matter for which a broker does not have authority to vote and so do not have any effect on proposals which require a majority of shares present and entitled to vote on the matter.

19. Who may attend the Annual Meeting?

Attendance is limited to shareholders of record or their legal proxy holder and beneficial owners as of March 26, 2014. If your shares are held in the name of your broker, bank, or other nominee, please bring an account statement or letter from the nominee indicating that you are the beneficial owner of the shares as of March 26, 2014. In all cases, valid photo identification is also required. A map of the meeting location and parking directions are contained on the back of this proxy statement. Rules of the meeting will be printed on the back of the agenda that will be given to you at the meeting.

20. May I listen to the Annual Meeting by Webcast?

Yes. Shareholders may listen to the Annual Meeting by webcast at: [www.virtualshareholdermeeting.com/pnm2014](http://www.virtualshareholdermeeting.com/pnm2014)

While any member of the public may listen to the Annual Meeting by webcast, only verified shareholders will be able to submit questions via the webcast to a moderator during the meeting. New Mexico law does not allow shareholders who do not attend the meeting in person to vote during the Annual Meeting. Thus, shareholders who listen to the Annual Meeting by webcast will be unable to vote during the Annual Meeting, so please vote before the Annual Meeting if you are unable to attend the meeting in person.

21. Can I vote my shares in person at the Annual Meeting?

If you are a “shareholder of record,” you may vote your shares in person at the Annual Meeting. If you hold your shares in “street name,” you must obtain a proxy from your broker, banker, trustee or nominee, giving you the right to vote the shares at the Annual Meeting.

22. Who pays the cost of this proxy solicitation?

The enclosed proxy is being solicited on behalf of PNM Resources’ Board of Directors. This solicitation is being made by mail, but also may be made in person, by telephone or via the Internet. The Company has hired Georgeson, Inc. (“Georgeson”) to assist in the solicitation for an estimated fee of \$8,500 plus any out-of-pocket expenses. PNM Resources will pay all costs related to solicitation. Broadridge Investor Communication Solutions, Inc. (“Broadridge”) is tabulating the vote and providing the webcast hosting services for listening to the Annual Meeting.

23. Is this proxy statement the only way that proxies are being solicited?

No. As stated above, the Company has retained Georgeson to aid in the solicitation of proxies. In addition to mailing these proxy materials, certain directors, officers or employees of the Company may solicit proxies by telephone, facsimile, e-mail or personal contact. They will not be specifically compensated for doing so.

24. Where can I find voting results of the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspectors of election and published in the Company’s Current Report on Form 8-K within four business days after the date of the Annual Meeting. Such results will also be published on our website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

25. What are the deadlines and procedures to propose actions for consideration or to nominate individuals to serve as directors at the 2015 Annual Meeting?

If you want PNM Resources to consider including a proposal in our 2015 proxy statement and form of proxy next year, you must submit the proposal to us in accordance with applicable rules of the SEC and Article I, Section 4(d) of our bylaws, and your proposal must be received at our principal executive offices no later than the close of business (5:00 p.m. Mountain Standard Time) on December 4, 2014.

We strongly encourage any shareholder interested in submitting a proposal to contact our Corporate Secretary in advance of this deadline to discuss the proposal, and shareholders may want to consult knowledgeable counsel regarding the detailed requirements of applicable securities laws. Submitting a shareholder proposal does not guarantee that we will include it in our proxy statement.

In addition, even if you do not want the proposal to be included in our next year's proxy statement and form of proxy, under our bylaws, any shareholder intending to nominate a candidate for election to the Board or to propose any business at our 2015 annual meeting must give notice to our Corporate Secretary no later than the close of business (5:00 p.m. Mountain Standard Time) on

December 4, 2014. The notice must include information specified in Article I, Section 4(d) of our bylaws, including information concerning the nominee or proposal, as the case may be, and information about the shareholder's ownership of and agreements related to our stock. For information on recommending individuals for consideration as nominees, see page 12 of this proxy statement. We will not entertain any proposals or nominations at the annual meeting that do not meet the requirements set forth in our bylaws.

Shareholder proposals should be delivered to or mailed and received by us on or before the above dates addressed to: Corporate Secretary, PNM Resources, Inc., 414 Silver Avenue SW, MS-1245, Albuquerque, NM 87102-3289.

If you would like a copy of the procedures for submitting shareholder proposals contained in our bylaws, please contact: Assistant Corporate Secretary, PNM Resources, Inc., 414 Silver Avenue SW, MS-1275, Albuquerque, NM 87102-3289, 505-241-2205.

For next year's Annual Meeting of Shareholders, the persons appointed by the proxy to vote shareholders' shares will vote those shares according to their judgment on any shareholder proposal that PNM Resources receives after December 4, 2014. If the shareholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, as amended, we may exercise discretionary voting authority under proxies that we solicit to vote in accordance with our judgment on any such shareholder proposal or nomination.

26. Whom should I call with other questions?

If you have any further questions about voting your shares or attending the Annual Meeting, please call Shareholder Services at 505-241-2868.

## INFORMATION ABOUT OUR CORPORATE GOVERNANCE

### Corporate Governance Principles

In recognition of the importance of governance to the proper management of the Company, the Board has organized the various governance policies adopted and practiced over the years into a consolidated Corporate Governance Principles document so that investors, employees, customers, regulators and the community may be aware of the policies followed by the Company. These principles have been approved by the full Board after analysis of policy considerations and peer benchmarks. With the goal of incorporating evolving best corporate governance principles, the Board requires the Nominating Committee to review the principles at least annually and recommend changes from time to time for consideration and adoption by the full Board.

The Corporate Governance Principles document can be found on PNM Resources' website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics). The principles document sets forth key practices and addresses the following:

Responsibilities of the Board	Stock Ownership Guidelines
Process for Director Nominations	Director Service
Director Qualifications	Director Compensation
Director Independence	Leadership Structure
Planning/Oversight Functions	Conflicts of Interest
Code of Ethics	

The Company has adopted a code of ethics, Do the Right Thing-Principles of Business Conduct, which applies to all directors, Officers (including the principal executive officer, principal financial officer and principal accounting

officer) and employees. Do the Right Thing is available in print to any shareholder who requests it by writing to the Ethics and Governance Department, PNM Resources, Inc., 414 Silver Avenue SW, MS-1285, Albuquerque New Mexico 87102-3289. Do the Right Thing is also available on our website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics). The Company will post any amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) at this location on its website.

Concerns relating to financial statement disclosures, accounting, internal accounting controls, or auditing matters, and other matters involving violations of law are handled in accordance with the complaint procedures, adopted by the Audit Committee, that are posted on the Company's website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics). The Company also established an anonymous/confidential hotline through which employees and others may report concerns about the Company's business practices.

## Majority Voting for Directors

Our articles of incorporation and bylaws provide for the annual election of directors. As discussed on page 3, each director must receive the affirmative vote of a majority of our shares of common stock represented at the meeting and entitled to vote on the election.

Our Corporate Governance Principles also provide that any nominee in an uncontested election who does not receive the required affirmative majority vote must promptly submit his or her resignation for consideration by the Nominating Committee which shall make a recommendation to the full Board within a reasonable period of time. The director whose resignation is under consideration will abstain from participating in the Nominating Committee's recommendation and the Board's decision on this matter. If a resignation is not accepted by the Board, the director may continue to serve. Directors added to the Board during the course of the year will stand for election at the next annual meeting of shareholders.

In addition to the annual election of directors, the Board's accountability to shareholders is enhanced by:

- the rigorous nomination process conducted by the Nominating Committee (which includes consideration of director candidates proposed by shareholders), and
- the Board's policy that a substantial majority of the Board be independent and that all Board committees consist of independent members.

## Director Independence

In accordance with the Company's Corporate Governance Principles, the Board has affirmatively determined that all of the current directors and the new nominees, Ms. E. Renae Conley and Ms. Maureen T. Mullarkey, are independent of PNM Resources and its management (with the exception of Ms. Patricia K. Collawn). Ms. Collawn is considered an inside director because of her employment as the President and CEO of the Company.

In determining the independence of the remaining eight non-employee members of the Board and Ms. Conley and Ms. Mullarkey, the Board examined all direct and indirect relationships of these non-employee directors with the Company and determined that all such relationships complied with the specific independence criteria under applicable law, including the NYSE listing standards. In addition, the only direct or indirect relationships between PNM Resources and each current non-employee director nominee consisted of service on the Board or a Board committee, being a shareholder or a retail utility customer of the Company, or were indirect relationships that were determined to be immaterial in amount and significance.

## Board Leadership Structure and Lead Director

We believe the Company and its shareholders are best served by a Board that has the flexibility to establish a leadership structure that fits the needs of the Company at a particular point in time. Under the Company's Corporate Governance Principles and bylaws, the Board has the authority to combine or separate the positions of Chairman and CEO, as well as to determine whether, if the positions are separated, the Chairman should be an employee, non-employee, or an independent director.

The Board believes the most effective leadership structure for the Company at this time is one with a combined Chairman and CEO coupled with an independent lead director. The Chairman is Patricia K. Collawn, our President and CEO. Combining the roles of Chairman and CEO: 1) enhances the Board's ability to provide strategic direction and communicate clearly and effectively with management; and 2) avoids creating a structure that would only duplicate the work of our lead director. Ms. Collawn's knowledge of our utilities and our industry, and her experience successfully navigating our Company out of the competitive businesses and through a challenging period make her

best suited to speak as Chairman and CEO and provide strong unified leadership for PNM Resources.

The position of lead director and role of our Board committees (comprised entirely of independent directors) are designed to promote strong, independent oversight of our management and affairs. Our lead director performs the following functions:

- approving Board meeting agendas and information sent to the Board;
- approving meeting schedules to ensure sufficient time for discussion of all agenda items;
- chairing all meetings of the independent directors, including executive sessions of the independent directors, and presiding at all meetings of the Board in the absence of the Chairman;
- working with committee chairs to ensure coordinated coverage of Board responsibilities;
- ensuring the Board is organized properly and functions effectively, independent of management;
- in consultation with the Board, being authorized to retain independent advisors and consultants on behalf of the Board;

facilitating the annual self-evaluation of the Board and Board committees;  
serving as a liaison for communications between (1) management and the independent directors and (2) the Board and the Company's shareholders and other interested parties; and  
performing such other duties as the Board may from time to time delegate.

The lead director is elected by the independent directors who review the role and functions of the lead director on an annual basis.

The lead director, with the above described duties, facilitates independent oversight of management. The balance of the lead director and combined Chairman/CEO positions ensures that the Board receives the information, experience and direction to effectively govern. Further, the Board believes that having Ms. Collawn serve in the combined role of PNMR Chairman and CEO is in the best interests of our shareholders because:

Ms. Collawn's thorough understanding of the particular challenges facing the regulated utility industry and the need to balance various stakeholder interests is critical at both the management and Board level and she is uniquely qualified to identify key strategic risks; and

Ms. Collawn's combined role promotes unified leadership and direction and conveys the Board's confidence in her leadership to shareholders, customers and other stakeholders.

#### Board's Role in Risk Oversight

PNM Resources' management is responsible for managing risk and bringing the most material risks facing the Company to the Board's attention. The Board has oversight responsibility for the processes established to identify, assess, mitigate, and monitor material risks applicable to the Company. Throughout the year, the Board reviews briefing materials developed through the Company's enterprise risk management program regarding the potential significant risks facing the Company. Each significant strategic risk is overseen by the full Board, with all its experience and expertise, in order to facilitate more effective integrated risk and strategy oversight.

In addition to oversight of strategic risks, the Board oversees the appropriate allocation of responsibility for oversight of specific risks among the committees of the Board. Over the past several years, Board committees have played an important role in risk oversight. For example, the Finance Committee reviews and recommends to the full Board the Company's capital structure and oversees the Company's management of risks associated with capital availability, liquidity and costs thereof. In addition, the Finance Committee monitors the execution of the Company's energy supply, sales, and hedging programs. The Audit Committee plays a central role in overseeing the integrity of the Company's financial statements and reviewing and approving the performance of the Company's internal audit function and independent accountants. The Audit Committee also is regularly briefed on the Company's cybersecurity risks and risk mitigation programs. The Nominating Committee oversees risks related to succession planning for the Board, and the Compensation Committee oversees risks related to succession planning for Company officers. The full Board annually reviews the CEO succession planning process. In addition, the Compensation Committee considers risks related to the attraction and retention of talent, risks related to the design of compensation programs and arrangements and monitors the design and administration of the Company's overall incentive programs to ensure that they incentivize strong individual and group performance and include appropriate safeguards to avoid unintended or excessive risk-taking by Company employees.

The Board does not believe that its leadership structure (i.e. combining the Chairman and CEO roles, coupled with an independent lead director) affects its ability to effectively oversee risk management because a substantial majority of the Board is comprised of independent directors, each committee is comprised entirely of non-management independent directors, and the roles of the lead director and committees are designed to provide effective oversight of management.



## Communication with the Board

Shareholders wishing to communicate with the Board, or with a specific director, may do so by writing to the Board, or to the particular director, and delivering the communication in person or mailing it to: Board of Directors, c/o Corporate Secretary, PNM Resources, Inc., 414 Silver Avenue SW, MS-1245, Albuquerque, New Mexico 87102-3289. All shareholder communications will be relayed to the Board of Directors or an appropriate committee of the Board. If the shareholder desires to communicate a concern directly with the Board without initial review by the Corporate Secretary, the concern should be submitted in writing, in a sealed envelope addressed to the Board, in care of the Corporate Secretary, with a notation indicating that it is to be opened only by the Board. The Corporate Secretary shall promptly forward the unopened envelope to the Board. From time to time, the Board may change the process for shareholder communications with the Board or its members. Please refer to the Company's website [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics) for any changes in this process.

Shareholders and other interested parties wishing to communicate directly with the lead independent director or with the non-management or independent directors as a group may do so by writing to Lead Independent Director, c/o Corporate Secretary, PNM Resources, Inc., 414 Silver Avenue SW, MS-1245, Albuquerque, New Mexico 87102-3289.

#### Director Service Policy

Our Director Service Policy provides that directors will not serve more than 12 years on the Board absent certain conditions. The policy requires directors serving more than 12 years, employee directors who leave the Company, and directors who undergo a significant change in their business or professional career to submit resignations to the Board for acceptance at such time as the Board deems appropriate. The policy can be found on page 7 of the Corporate Governance Principles found on the Company's website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

#### Equity Compensation Awards Policy

The Board adopted the Equity Compensation Awards Policy to govern the granting of all forms of equity compensation. The policy provides that equity compensation awards shall only be made in compliance with the 2009 PEP and applicable laws and regulations. The 2009 PEP prohibits option repricing, incorporates, as a general rule, a "double trigger" vesting rule in connection with a change in control, and contains a general "clawback" provision subjecting all awards to potential forfeiture to the fullest extent called for by applicable law or Company policy. The Equity Compensation Awards Policy provides that equity compensation awards are prospective only and sets forth additional good governance procedures for making equity awards when the regular schedule for the grant of equity compensation falls within a black-out period for trading in the Company's securities under PNM Resources' Insider Trading Policy. The Equity Compensation Awards Policy is available on our website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

The Company conducts an annual review of equity compensation awards to ensure compliance with the requirements of the Equity Compensation Awards Policy.

#### Related Person Transaction Policy

On February 13, 2007, the Board approved the "Policy and Procedures Governing Related Party Transactions," which is posted on our website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics). The policy provides that all transactions with executive officers, directors or greater than 5% shareholders or any immediate family member of any of the foregoing (collectively referred to as "related persons"), where the aggregate amount involved is expected to exceed \$120,000 per year, are subject to pre-approval or ratification by the Nominating Committee, or by the Board or another committee in the normal fulfillment of their respective charters and responsibilities. In determining whether to approve such transactions, the Nominating Committee will consider, among other factors, the extent of the related person's interest in the transaction; the availability of other sources of comparable products or services; whether the terms are no less favorable than terms generally available in unaffiliated transactions under like circumstances; the benefit to the Company; and the aggregate value of the transaction at issue. Since January 1, 2013, PNM Resources has not participated, and has no current plans to participate, in any transactions in which any related person has a material interest that would be subject to pre-approval under this policy or otherwise be reportable under applicable SEC Rules.

## ADDITIONAL INFORMATION ABOUT OUR BOARD AND BOARD COMMITTEES

## Board Meetings

The Chairman of the Board presides at all meetings of the shareholders and of the full Board. As discussed above under “Board Leadership Structure and Lead Director,” the lead independent director chairs meetings of the independent directors and assumes other duties designed to support the Board’s independent oversight of management. The lead independent director is nominated and approved by the independent directors annually. The independent directors meet at least four times a year without management present and will meet more often as the need arises. Julie A. Dobson has served as the lead independent director since February 2012. Ms. Dobson will continue to serve as lead independent director until the completion of her term at the Annual Meeting of Shareholders on May 15, 2014. A new lead independent director will be subsequently named.

In 2013, the full Board met 5 times. The independent directors held 5 regularly scheduled meetings in 2013. Attendance in 2013 at full Board and committee meetings was 98%.

Directors are expected to attend the Annual Meeting, and as stated in the Corporate Governance Principles, directors are responsible for attending all director meetings and for reviewing materials provided in advance of each meeting. Directors are expected to actively participate in Board and committee meetings. All directors attended the 2013 Annual Meeting held on May 9, 2013, with the exception of Bonnie S. Reitz, who was unable to attend due to a death in the family.

## Board Committees and their Functions

The Board has four current standing committees: the Audit and Ethics Committee (or Audit Committee), the Compensation and Human Resources Committee (or Compensation Committee), the Finance Committee, and the Nominating and Governance Committee (or Nominating Committee). All committee members are independent directors.

Each committee has a written charter that addresses the committee’s purpose and responsibilities. All current committee charters can be found at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics), and are available in print without charge to any shareholder who requests it. The charters comply with applicable NYSE Listing Standards.

The following table provides 2013 membership and meeting information for each of the four Board committees.

Name	Audit & Ethics	Nominating & Governance	Finance	Compensation & Human Resources
A. E. Archuleta		x*	x	
J. A. Dobson**	x			x
A.J. Fohrer	x			x
R. R. Nordhaus	x	x		
B. S. Reitz		x	x	
D. K. Schwanz			x*	x
B. W. Wilkinson	x*		x	
J. B. Woodard		x		x*
# Meetings in 2013	8	3	3	6
# Executive Sessions in 2013	8	1	—	1

\*Committee Chair

\*\*Lead Independent Director



A summary of each standing committee's responsibilities is included below:

#### Audit and Ethics Committee

Four independent, non-employee directors.

Oversees the integrity of the Company's financial statements, system of disclosure and internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established.

Functions: Ensures compliance with legal and regulatory requirements by the Company.

Assesses and ensures the independent accountant's qualifications and independence.

Reviews and approves the performance of the Company's internal audit function and independent accountants.

Approves independent accountant services and fees for audit and non-audit services.

Oversees the Company's management of risks as assigned by the Board.

A current copy of the Audit Committee Charter may be found on the Company's website

Charter: at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics). The Audit Committee Charter prohibits any committee member from serving on the audit committees of more than two other publicly traded companies.

Evaluation: The Audit Committee conducted an evaluation of its performance in 2013.

Financial Expert: The Board has unanimously determined that all Audit Committee members are financially literate. In addition, Ms. Julie A. Dobson, Mr. Alan J. Fohrer and Mr. Bruce W. Wilkinson qualify as "audit committee financial experts" within the meaning of SEC regulations.

#### Compensation and Human Resources Committee

Four independent, non-employee directors (including meeting the outside director rules under Section 162(m) of the Tax Code).

Recommends the compensation philosophy, guidelines and equity-based compensation for officers (emphasizing rewarding long-term results and maximizing shareholder value).

Establishes an appropriate compensation program for the CEO and reviews and approves corporate goals and objectives relevant to CEO compensation.

Functions: Evaluates CEO performance in light of corporate goals and objectives.

Reviews and recommends to the independent directors, the CEO's annual compensation level and components.

Reviews and approves all components of compensation and stock ownership guidelines for all senior officers, giving due consideration to the CEO's recommendations.

Monitors the Company's affirmative action program.

Oversees the Company's annual compensation risk assessment.

Charter: A current copy of the Compensation Committee Charter may be found on the Company's website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

Interlocks and Insider Participation: No member of the Compensation Committee had a relationship during 2013 that requires disclosure as a compensation committee interlock or as insider participation.

Evaluation: The Compensation Committee conducted an evaluation of its performance of the above functions in 2013.

#### Finance Committee

Four independent non-employee directors.

Reviews and recommends to the Board the Company's capital structure and financial strategy, including dividend policy.

Functions: Oversees the Company's financial performance, capital expenditures and investment procedures and policies.

Oversees the Company's investments in subsidiaries.

Oversees the Company's management of risks as assigned by the Board.

Charter: A current copy of the Finance Committee Charter may be found at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

Evaluation: The Finance Committee conducted an evaluation of its performance in 2013.

Nominating & Governance Committee

Four independent non-employee directors.  
 Recommends candidates for election to the Board.  
 Develops policy on composition and size of the Board, as well as director tenure.  
 Develops director independence standards consistent with applicable laws or regulations.

Functions:

Oversees the performance evaluation of the Board.  
 Recommends applicable revisions to the corporate governance principles.  
 Recommends Board compensation levels and stock ownership guidelines.  
 Oversees the Policy and Procedure Governing Related Party Transactions.  
 Oversees the Company's management of risks as assigned by the Board.

Charter:

A current copy of the Nominating Committee Charter may be found at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

Interlocks and Insider Participation:

No member of the Nominating Committee had a relationship during 2013 that requires disclosure as a director compensation committee interlock or as insider participation.

Evaluation:

The Nominating Committee conducted an evaluation of its performance of the above functions in 2013.

The Nominating Committee will consider director candidates proposed by shareholders. Director candidates recommended by shareholders will be evaluated against the same criteria as nominees submitted by the Nominating Committee. Candidates must be highly qualified and exhibit both willingness and interest in serving on the Board. Candidates should represent the interests of all shareholders and not those of a special interest group. A shareholder wishing to nominate a candidate should forward the candidate's name and a detailed description of the candidate's qualifications, appropriate biographical information and signed consent to serve to the Secretary of the Company, taking into consideration the criteria for new directors:

Director Candidates and Nominations:

- directors should be individuals of the highest character and integrity and have inquiring minds, vision and the ability to work well with others and exercise good judgment;
- directors should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- directors should possess substantial and significant experience which would be of particular importance to the Company in the performance of the duties of a director;
- directors should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director;
- directors should have the capacity and desire to represent the balanced, best interests of the shareholders as a whole and not primarily a special interest group or constituency; and
- each director's ownership interest should increase over time, consistent with the stock ownership guidelines and applicable insider trading restrictions, so that an appropriate amount of stock is accumulated.

General Board attributes and director qualifications can also be found on page 3 of the current Corporate Governance Principles document posted at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

In addition, please see the answer to Question 25 on pages 5-6 above for information on how to submit a shareholder proposal for nomination of a director candidate in accordance with our bylaws and applicable SEC rules.

The Nominating Committee and the Board have no formal policy regarding diversity in recruiting directors. However, the Nominating Committee does consider diversity in identifying nominees for a

balanced board with varied expertise including having accounting or related financial management expertise. For example, in the past, efforts were made to recruit more female nominees and to recruit candidates from Texas and New Mexico to reflect the geographic market served by the Company and its utility subsidiaries, PNM and TNMP. In addition, the Nominating Committee seeks to recruit nominees who will represent the balanced, best interests of the shareholders as a whole rather than special interest groups or constituencies. The Board's gender diversity has been recognized by the 2020 Women On Boards campaign for the past three years.



## DIRECTOR COMPENSATION

### Elements of Director Compensation

The Nominating Committee recommends non-employee director compensation levels and stock ownership guidelines for review and approval by the full Board. Ms. Collawn, our Chairman, President and CEO, is the only salaried employee serving on the Board and she receives no additional compensation for her Board service.

The general policy of the Board is to provide a reasonable director compensation package that will attract and retain highly qualified non-employee directors. The Nominating Committee reviews and compares the form and amount of director compensation on an annual basis to consider trends in director compensation and to recommend a total compensation amount that approximates the median of non-employee director compensation in similarly situated utility and energy companies, such as the PNMR Peer Group described on pages 42-43 of this proxy statement.

As discussed in the 2013 proxy statement, Meridian prepared an analysis in 2012 of director compensation comparing our compensation to the median of the PNMR Peer Group and to the median of a “general industry” subset of 84 companies with revenues between \$1.0-\$2.5 billion in the 2012 Meridian Compensation General Industry Outside Director Database. The analysis showed that our director compensation was below the median of both comparator groups. After reviewing Meridian's analysis and recommendations, in December 2012, the Nominating Committee recommended and the Board approved making the following changes to director compensation for 2013: (1) increasing the independent lead director fee from \$15,000 to \$20,000 and the Compensation Committee chair fee from \$5,000 to \$10,000, and (2) increasing the market value of the annual retainer equity award of restricted stock rights from \$55,000 to \$65,000. Thus, the 2013 annual retainer for non-employee directors consisted of the following cash and stock based compensation:

Annual Retainer (Cash and Equity):	\$52,500 in cash Restricted stock rights <sup>(1)</sup> with a market value of \$65,000 <sup>(2)</sup>
Annual Lead Director Fee:	\$20,000
Annual Audit Committee Chair Fee:	\$10,000
Annual Compensation and Human Resources Committee Chair Fee:	\$10,000
Annual Other Committee Chair Fee:	\$ 5,000
Attendance Fees:	\$1,500 per Board Committee meeting; \$0 per Board meeting

In addition, all directors were reimbursed for any board-related expenses, such as travel expenses incurred to attend Board and Committee meetings and director education programs sponsored by educational and other institutions. Further, directors are indemnified by PNMR to the fullest extent permitted by law pursuant to PNMR's bylaws and indemnification agreements between the Company and each director. No retirement or other benefit plans are available to directors.

<sup>(1)</sup> Restricted stock rights granted under the 2009 PEP vest in three equal annual installments beginning on the first anniversary of the grant date, subject to vesting acceleration upon retirement from the Board. These awards are typically made at the annual meeting of directors, unless the meeting occurs during a black-out period for trading in the Company's securities as specified in the Company's Insider Trading Policy. As set forth under the Equity Compensation Awards Policy, under those circumstances, the Board will either (a) schedule a special meeting after the expiration of the black-out period, (b) make awards pursuant to a unanimous written consent executed after the expiration of the black-out period, or (c) pre-approve the equity awards with an effective date after the expiration of the black-out period. The date of the awards is the date on which the Board approves the awards, unless (i) the approval date is a non-trading day, in which case the date is the immediately preceding trading date or (ii) in the

case of pre-approval during a black-out period, in which case the grant date is the first trading date after the expiration of the black-out period.

The amount of restricted stock rights is determined by dividing \$65,000 by the closing price of our stock on the (2) NYSE on the day of the grant. Thus, 2,850 restricted stock rights were granted on May 9, 2013, based on the closing price on that date of \$22.81 per share.

In May 2013, Pay Governance became the independent compensation consultant retained directly by the Nominating Committee. Pay Governance prepared an analysis in July 2013 of director compensation and recommended no changes to director compensation for 2014. In December 2013, after discussing Pay Governance's recommendation, the Nominating Committee recommended and the Board approved making no changes to director compensation for 2014.

## Stock Ownership and Retention Guidelines for Directors

The Board believes directors should be shareholders and have a financial stake in the Company to help align director financial interests with the financial interests of the Company's longer term shareholders. The Board requires directors to attain a significant level of Company stock ownership over a reasonable period of time.

The Nominating Committee is responsible for recommending Board compensation levels and stock ownership and retention guidelines to the Board for approval. In 2012, the Board adopted revised stock ownership guidelines which provide that non-employee directors will hold an amount of shares (including unvested restricted stock rights) equal to five times the annual cash retainer within a reasonable period of time. In addition, each director is required to hold 100% of all vested restricted stock rights until his or her holdings exceed five times the annual cash retainer. Further, directors must also hold all restricted stock awards for a period of six months after termination of Board service or until the Director achieves the holding requirements. We believe these holding guidelines are appropriate because they approximate the holding requirements of the PNMR Peer Group. The directors have met or are making good progress toward meeting their holding requirements under the guidelines. Similar stock ownership guidelines have been developed for executives and are discussed below on page 44.

The guidelines are reviewed periodically for any appropriate changes and can be found on page 7 of the Corporate Governance Principles document available on the PNM Resources' website at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics).

## Summary of Non-Employee Director Compensation in 2013

The following table summarizes the total compensation paid or earned by each of the non-employee directors for the year ended December 31, 2013.

## DIRECTOR COMPENSATION IN 2013

Name <sup>1</sup>	Fees		Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
	Earned Or Paid In Cash (\$) <sup>2</sup>	Stock Awards (\$) <sup>3</sup>					
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
A.E. Archuleta	68,000	63,128	—	—	—	—	131,128
J.A. Dobson	93,500	63,128	—	—	—	—	156,628
A.J. Fohrer	72,000	63,128	—	—	—	—	135,128
R.R. Nordhaus	69,000	63,128	—	—	—	—	132,128
B.S. Reitz	61,500	63,128	—	—	—	—	124,628
D.K. Schwanz	71,000	63,128	—	—	—	—	134,128
B.W. Wilkinson	79,000	63,128	—	—	—	—	142,128
J.B. Woodard	76,000	63,128	—	—	—	—	139,128

<sup>1</sup> Patricia K. Collawn does not receive any director compensation, as she is an employee, i.e., President and CEO. In addition, Ms. E. Renae Conley and Ms. Maureen T. Mullarkey are not included in this 2013 compensation table because they are new director nominees seeking election to the Board as of May 15, 2014.

<sup>2</sup>The following table provides additional information about fees earned or paid in cash to non-employee directors in 2013:

Name	Lead
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	Annual Retainer (\$)	Committee Chair Fee (\$)	Committee Meeting Fees (\$)	Independent Director Fee (\$)	Total (\$)
A. E. Archuleta	52,500	5,000	10,500	—	68,000
J. A. Dobson	52,500		21,000	20,000	93,500
A. J. Fohrer	52,500	—	19,500	—	72,000
R. R. Nordhaus	52,500	—	16,500	—	69,000
B. S. Reitz	52,500	—	9,000	—	61,500
D. K. Schwanz	52,500	5,000	13,500	—	71,000
B. W. Wilkinson	52,500	10,000	16,500	—	79,000
J. B. Woodard	52,500	10,000	13,500		76,000

<sup>3</sup>Represents the grant date fair value of \$22.15 per restricted stock right calculated in accordance with FASB ASC Topic 718 of the 2,850 restricted stock rights awarded under the 2009 PEP to each non-employee director on May 9, 2013. The assumptions used in determining the grant date fair value of restricted stock rights are set forth in Note 13 of the consolidated financial statements in PNMR's Annual Report on Form 10-K for the year ended December 31, 2013. As of December 31, 2013, each non-employee director listed in the above table had 6,047 outstanding restricted stock rights, except Mr. Fohrer, who joined the Board in March 2012, had 4,891. The actual value that a director may realize on the vesting of the restricted stock will depend on the market price of our common stock at the date of vesting. The restricted stock rights granted under the 2009 PEP vest in three equal annual installments beginning on the first anniversary of the grant, subject to vesting acceleration upon retirement. As discussed above under "Stock Ownership and Retention Guidelines for Directors," directors will hold 100% of the annual restricted stock award until they hold stock equal to the required multiple of annual cash retainer. This amount of restricted stock is held until six months after termination of Board service or until the director achieves the holding requirements.

## OWNERSHIP OF OUR COMMON STOCK

### Five Percent Shareholders

The following table contains information regarding the only persons and groups we know of that beneficially owned more than 5% of our common stock based on reports filed by such persons with the SEC as of March 26, 2014.

Name and Address	Voting Authority			Dispositive Authority		Total Amount	Percentage of Class
	Sole	Shared	None	Sole	Shared		
BlackRock, Inc. <sup>(1)</sup> 40 East 52 <sup>nd</sup> Street New York, NY 10022	7,877,160	—	—	8,167,440	—	8,167,440	10.3%
GAMCO Investors, Inc. et al <sup>(2)</sup> One Corporate Center Rye, NY 10580-1435	(2)	—	—	(2)	—	6,637,479	8.33%
T. Rowe Price Associates, Inc. <sup>(3)</sup> 100 E. Pratt Street Baltimore, MD 21202	1,131,970	—	—	6,416,560	—	6,416,560	8%
The Vanguard Group <sup>(4)</sup> 100 Vanguard Blvd. Malvern, PA 192355	132,321	—	—	5,522,790	113,521	5,636,311	7.07%

<sup>(1)</sup> As reported on Schedule 13G/A filed January 10, 2014 with the SEC by BlackRock, Inc. as the parent holding company or control person of thirteen subsidiaries. This filing reports sole voting power over 7,877,160 shares, which constitutes 9.89% of PNMR common stock.

<sup>(2)</sup> As reported on Schedule 13D/A filed November 14, 2011 with the SEC by GAMCO Investors, Inc. et al. This filing reported that Gabelli Funds, LLC beneficially owned 3,053,379 shares (3.83%) with sole voting and sole dispositive power; GAMCO Asset Management Inc. beneficially owned 3,267,300 shares with sole voting power and 3,574,100 shares (4.49%) with sole dispositive power; and MJG-IV Limited Partnership beneficially owned 10,000 shares (0.01%) with sole voting and dispositive powers. The filing reported that Mario J. Gabelli is deemed to have beneficial ownership of the securities beneficially owned by each of the foregoing persons. As additional information, (1) on February 13, 2013, GAMCO Investors, Inc. filed a Form 13F with the SEC reporting sole investment discretion for 3,084,150 shares, sole voting authority for 2,817,650 shares and no voting authority for 266,500 shares; and (2) on February 7, 2014, Gabelli Funds, LLC filed a Form 13F with the SEC reporting sole investment discretion and sole voting authority for 3,015,000 shares (representing a combined total of 6,099,150 shares with sole investment

discretion).

<sup>(3)</sup> As reported on Schedule 13G filed February 13, 2014 with the SEC by T. Rowe Price Associates, Inc.

<sup>(4)</sup> As reported on Schedule 13G/A filed February 11, 2014 with the SEC by The Vanguard Group.

## Executive Officers and Directors

The Board believes that our directors and executive offices should be shareholders and have a significant long-term financial stake in the Company. The stock ownership guidelines for directors and officers are discussed on pages 14 and 44 of this proxy statement. The following table shows the amount of PNM Resources common stock owned by the Company's directors, new director nominees, the named executive officers, and our directors and executive officers as a group as of March 26, 2014.

Name	Amount and Nature of Shares Beneficially Owned (a)		
	Aggregate No. of Shares Held (b)	Right to Acquire within 60 Days (c)	Percent of Shares Beneficially Owned
Non-Employee Directors:			
Adelmo E. Archuleta	20,952	9,197	*
Julie A. Dobson	22,983	12,247	*
Alan J. Fohrer	4,021	4,891	*
Robert R. Nordhaus	12,083	9,097	*
Bonnie S. Reitz	5,533	9,197	*
Donald K. Schwanz	15,833	8,047	*
Bruce W. Wilkinson	17,420	7,047	*
Joan B. Woodard	18,104	12,247	*
New Director Nominees:			
E. Renae Conley	—	—	*
Maureen T. Mullarkey	—	—	*
NEOs :			
Patricia K. Collawn	178,557	283,002	*
Charles N. Eldred	71,809	56,942	*
Patrick V. Apodaca	40,617	22,377	*
Ronald N. Darnell	19,304	5,271	*
Ronald E. Talbot	12,279	13,507	*
Non-Employee Directors, New Director Nominees and NEOs as a Group (15)	439,495	453,069	*

(a) Beneficial ownership means the sole or shared power to vote, or to direct the voting of a security and/or investment power with respect to a security.

(b) The amounts shown are shares held in the individual's name, individually or jointly with others, or in the name of a bank, broker, or nominee for the individual's account.

(c) The number of shares directors and executive officers have a right to acquire through (1) stock option exercises within 60 days after March 26, 2014, (2) potential accelerated vesting (upon retirement or disability) under the 2009 PEP of restricted stock right awards, and (3) the number of shares that executive officers have a right to acquire through the ESP II upon the participant's termination of employment. As of March 26, 2014, the number of shares reported in this column include the following ESP II share rights held by our NEOs: P. K. Collawn - 69,666; C. N. Eldred - 6,337; and R. E. Talbot - 5,820.

\*Less than 1% of PNM Resources outstanding shares of common stock.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires PNM Resources' executive officers and directors to file certain reports of ownership and changes in ownership with the SEC within two business days of a transaction. On August 8, 2013, Ms. Reitz sold 1,000 shares of PNM Resources common stock. Ms. Reitz followed proper procedures and obtained pre-clearance to execute this transaction. However, reporting procedures related to the execution of the transaction were inadvertently delayed resulting in a late filing on October 21, 2013. Otherwise, we believe all executive officers' and directors' applicable filing requirements were met.

## PROPOSAL 1: ELECT NINE DIRECTORS (PROPOSAL 1 ON YOUR PROXY CARD)

### GENERAL INFORMATION

Each of the nine director nominees presented below was recommended by the Nominating Committee and nominated by the Board for election as directors, to serve for a one-year term that expires at the Annual Meeting in 2015, and until their successors are elected and qualified. The Board fixed the number of directors at nine, effective May 9, 2013.

Seven nominees are current members of the Board who were elected by the shareholders at the 2013 Annual Meeting and are standing for re-election. The remaining two nominees were nominated by the Board to fill the vacancies created by the retirement of Ms. Julie Dobson and Ms. Bonnie Reitz on May 15, 2014. Pursuant to the Director Service Policy, Ms. Dobson and Ms. Reitz will complete their current terms and will not stand for re-election at the Annual Meeting on May 15, 2014. We sincerely acknowledge their dedication, engagement and contributions to the Company during their tenure.

The Nominating Committee recommended that the Board nominate Ms. E. Renae Conley and Ms. Maureen T. Mullarkey to fill the vacancies created by the retirement of Ms. Dobson and Ms. Reitz. These two new nominees were identified as potential director candidates by one of the Company's investment bankers. Each of the nine nominees has consented to being nominated and to serve if elected. In the unlikely event that any nominee becomes unable to serve for any reason, the proxies will be voted for a substitute nominee selected by the Board upon the recommendation of the Nominating Committee. Alternatively, the seat will remain vacant if a substitute nominee is not selected prior to the Annual Meeting.

All of the director nominees are independent directors, except Ms. Collawn, our Chairman, President and CEO. As shown by the following biographies, each nominee has valuable skills and experiences that, taken together, provide us with the variety and depth of knowledge and judgment necessary to provide effective oversight of our electric utility and related businesses. The noted age of each director is as of April 3, 2014.

### Directors Nominated This Year For One Year Terms Expiring in 2014

**ADELMO E. ARCHULETA**  
Director since July 15, 2003

President and Owner, Molzen-Corbin & Associates, Inc., a New Mexico consulting engineering and architecture firm, since 1982

Mr. Archuleta, age 63, is a resident of Albuquerque, New Mexico. He joined Molzen-Corbin & Associates in 1975 and has led the firm as its President and Chief Executive Officer since 1982. Other directorships include: Bank of



Albuquerque, New Mexico Mutual Casualty and the Greater Albuquerque Chamber of Commerce. Mr. Archuleta earned his master's degree in civil engineering from New Mexico State University and was awarded an honorary doctorate by his alma mater, New Mexico State University, in 2010.

Specific Qualifications/Attributes: CEO and board experience; engineering background and experience; public policy experience and knowledge of political environment; community engagement; business background and experience.

PATRICIA K. COLLAWN

Director since March 1, 2010

Chairman, President and CEO, PNM Resources, Inc., since January 1, 2012

President and CEO, PNM Resources, Inc., March 1, 2010-December 31, 2011

President and Chief Operating Officer, PNM Resources, Inc., August 11, 2008-February 28, 2010

Utilities President, PNM Resources, Inc., June 25, 2007-August 10, 2008

Ms. Collawn, age 55, is a resident of Albuquerque, New Mexico, and is Chairman, President and CEO of PNM Resources and PNM, and Chairman and CEO of TNMP. Ms. Collawn has more than 20 years of utility experience. Other directorships in addition to various Company subsidiaries include CTS Corporation and Kirtland Partnership Committee of which she is Chair. She is also the former Chair of the Greater Albuquerque Chamber of Commerce and the former chair of United Way of Central New Mexico. Ms. Collawn earned her M.B.A. from Harvard University.

Specific Qualifications/Attributes: CEO and COO experience; business background and experience; extensive utility and energy industry expertise and leadership; Federal electric, natural gas and environmental regulatory experience.

E. RENAE CONLEY

New Director Nominee

ER Solutions, LLC, Chief Executive Officer, February 2014-present

Executive Vice President, Human Resources & Administration, and Chief Diversity Officer, Entergy Corporation, 2010-2013

Chairman, President and CEO, Entergy Louisiana, Entergy Gulf States Louisiana, 2000-2010

Ms. Conley, age 56, is a resident of Palatine, Illinois, and has over thirty years of business experience in significant leadership positions in finance, operations and human resources. She serves on the Ball State University Foundation Board of Directors and the ReadyNation Advisory Board. She recently retired from the boards of the New Orleans Branch of the Federal Reserve Bank of Atlanta and the National Action Council for Minorities in Engineering. Ms. Conley has a bachelor of science degree in accounting and an M.B.A., both from Ball State University.

Specific Qualifications/Attributes: Former CEO of a large U.S. electric utility; finance, field operations and regulatory strategy expertise; extensive utility and energy industry expertise and leadership; external relationship management and employee and labor relations experience

ALAN J. FOHRER

Director since March 1, 2012

Retired Chairman and CEO, Southern California Edison, June 27, 2007-December 31, 2010

CEO, Southern California Edison, January 1, 2002-June 26, 2007

Mr. Fohrer, age 63, is a resident of Arcadia, California. On December 31, 2010, he retired as Chairman and CEO of Southern California Edison ("SCE"), one of the largest electric utilities in the United States. During his 37-year career at SCE, Mr. Fohrer gained extensive knowledge and experience in every aspect of the utility business.

Over the past ten years, Mr. Fohrer represented the electric utility industry in significant regulatory and legislative proceedings. He co-chaired the Edison Electric Institute's Energy Delivery and Reliability Committees and also served on the Boards of Directors of the Institute of Nuclear Power Operations and the California Chamber of Commerce.

Other directorships include: lead director at MWH, Inc.; Blue Shield of California; Osmose Utility Services, Inc.; Synagro, Inc.; and TransAlta Corporation. He served on the board of Duratek, a publicly held nuclear services

company, prior to its acquisition by Energy Solutions. Mr. Fohrer is a member of the Viterbi School of Engineering Board of Councilors for the University of Southern California, a member of the Huntington Library Board of Overseers and Chairman of the California Science Center Foundation. The Board has determined that Mr. Fohrer qualifies as an “audit committee financial expert” as defined by the SEC regulations. Mr. Fohrer earned his B.Sc. and M.Sc. degrees in civil engineering from the University of California and received an M.B.A. from California State University Los Angeles.

Specific Qualifications/Attributes: extensive Board experience, including Board Chairman; “financial expert” under SEC regulations; former CEO of one of the largest U.S. electric utilities; extensive utility and energy industry expertise and leadership; extensive electric utility regulatory experience.

**MAUREEN T. MULLARKEY**

New Director Nominee

Partner, Blue Heron Investments, LLC, a private investment firm, 2010-present  
Entrepreneur in Residence with The Nevada Institute for Renewable Energy Commercialization, 2009-2011  
Chief Financial Officer and Executive Vice President, International Game Technology, 1998-2007

Ms. Mullarkey, age 54, is a resident of Reno, Nevada. She retired in 2007 as executive vice president and chief financial officer of International Game Technology, a leading supplier of gaming equipment and technology, where she held a variety of financial and executive management positions in her 19 years with the company. She was a director of NV Energy, Inc. from 2008-2012 when the company was sold to Mid-American Energy Holdings Company, a subsidiary of Berkshire Hathaway, Inc. Ms. Mullarkey has a bachelor of science degree from the University of Texas and an M.B.A. from the University of Nevada.

Specific Qualifications/Attributes: CFO experience; board governance experience; strategic and operational leadership expertise; renewable energy expertise.

**ROBERT R. NORDHAUS**

Director since September 18, 2007

Partner, Van Ness Feldman, LLP, Attorneys at Law, since 1997

Mr. Nordhaus, age 77, is a resident of Washington, D.C., and is a partner in the law firm of Van Ness Feldman, LLP. Mr. Nordhaus served as General Counsel of the Federal Energy Regulatory Commission from 1977 to 1980, and practiced with the law firm from 1981 to 1993, when he was appointed General Counsel of the Department of Energy by President Clinton. He rejoined the firm in 1997. Mr. Nordhaus is a 1960 graduate of Stanford University and a 1963 graduate of Yale Law School.

Specific Qualifications/Attributes: extensive utility and energy industry legal expertise and leadership; Federal electric, natural gas and environmental regulatory experience.

**DONALD K. SCHWANZ**

Director since July 29, 2008

Chairman and CEO, CTS Corporation, 2002-2007  
CEO, CTS Corporation, 2001-2007  
COO, CTS Corporation, January-September 2001  
Honeywell, 1979-2000

Mr. Schwanz, age 69, is a resident of Scottsdale, Arizona, and is retired Chairman and CEO of CTS Corporation, a global manufacturer of electronic components and sensors and a provider of electronic manufacturing services. Mr. Schwanz held various management and senior executive roles at Honeywell from 1979 to 2000, where he last served as President of the Industrial Controls Business. Other directorships include: Multi-Fineline Electronix, Inc. (MFLEX). Mr. Schwanz earned a bachelor of science degree in mechanical engineering from Massachusetts Institute of Technology and an M.B.A. from Harvard Graduate School of Business in 1968.

Specific Qualifications/Attributes: CEO experience; board and board chairman experience; regulatory environment experience; technology and innovation experience.

**BRUCE W. WILKINSON**

Director since May 18, 2010

Retired Chairman and Chief Executive Officer, McDermott International, Inc., 2000-2008

Mr. Wilkinson, age 69, is a resident of Houston, Texas, and served as President and Chief Operating Officer from May 2000 to July 2000, and as Chairman and Chief Executive Officer of McDermott International, Inc., an energy services company, from August 2000 until his retirement in September 2008. Other directorships include: Director of Cameron International Corporation (formerly, Cooper Cameron Corp.) since 2002. The Board has determined that Mr. Wilkinson qualifies as an “audit committee financial expert” as defined by the SEC regulations. Mr. Wilkinson earned a B.A. and a J.D. from the University of Oklahoma and an L.L.M. from the University of London.

Specific Qualifications/Attributes: board chairman and CEO experience; “financial expert” under SEC regulations; extensive business background and experience; energy and power industry experience; engineering and construction experience.

JOAN B. WOODARD, Ph.D.

Director since July 15, 2003

Owner, EDT Consulting, LLC, 2011-present

Sandia National Laboratories

Executive Vice President & Deputy Director of National Security Programs, 2005-2010

Executive Vice President & Chief Operating Officer, 1999-2005

Dr. Woodard, age 61, is a resident of Taos Ski Valley, New Mexico, and owner of EDT Consulting, LLC, an energy and national security consulting company. Dr. Woodard retired in 2010 from Sandia National Laboratories as Executive Vice President and Deputy Director. She served as the Chief Operating Officer from 1999 to 2005. During her 36-year career at Sandia National Laboratories, she led the energy technology development programs as well as the national security programs and was the executive with oversight for human resources and compensation as well as budget and finance. Other directorships include: Missouri University of Science & Technology Board of Trustees (President), Research Corporation for Science Advancement Board of Directors and Solar Fuels Institute Board of Trustees. Dr. Woodard is a member of the Secretary of State’s International Security Advisory Board. Dr. Woodard earned her doctorate degree in mechanical engineering from the University of California Berkley and a master’s degree in engineering economics from Stanford.

Specific Qualifications/Attributes: COO experience; board governance experience; engineering background and experience; energy technology and industry experience; public policy experience and awareness of political environment; community engagement.

The Board of Directors unanimously recommends a vote FOR each director nominee.

## AUDIT AND ETHICS COMMITTEE REPORT

The primary function of our Committee is oversight of the Company's financial reporting process, public financial reports, internal accounting and financial controls and the independent audit of the annual consolidated financial statements. Our Committee acts under a charter, which can be found on the PNM Resources web site at [www.pnmresources.com](http://www.pnmresources.com) (under Governance and Ethics). We review the adequacy of the charter at least annually. All of our members are independent, and three of our members are audit committee financial experts under Securities and Exchange Commission rules. We held eight meetings in 2013 (one with Deloitte & Touche, LLP), the Company's former principal independent registered public accounting firm and seven with KPMG LLP (KPMG), the Company's principal independent registered public accounting firm for 2013) and one meeting to date in 2014 at which, as discussed in more detail below, we had extensive reports and discussions with the independent auditors internal auditors and other members of management.

In carrying out our responsibilities, we look to management and the independent auditors. The Company's management is responsible for the preparation and fair presentation of the Company's financial statements and for maintaining effective internal control. Management is also responsible for assessing and maintaining the effectiveness of internal control over the financial reporting process in compliance with Sarbanes-Oxley Section 404 requirements. The independent auditors are responsible for auditing the Company's annual financial statements and expressing an opinion as to whether the statements are fairly stated in conformity with generally accepted accounting principles. In addition, the independent auditors are responsible for auditing the Company's internal control over financial reporting and for expressing an opinion on the effectiveness of internal control over financial reporting. The independent auditors perform their responsibilities in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB).

In performing our oversight function, we reviewed and discussed the consolidated financial statements with management and KPMG, the independent auditors. Management and KPMG informed us that the Company's consolidated financial statements were fairly stated in accordance with generally accepted accounting principles. We discussed significant accounting policies applied by the Company in its financial statements, as well as alternative treatments. We discussed with KPMG the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended (AICPA Professional Standards, Vol. 1, AU Section 380), as adopted by the PCAOB in Rule 3200T. In addition, we reviewed and discussed management's report on internal control over financial reporting and the related audit performed by KPMG, which confirmed the effectiveness of the Company's internal control over financial reporting.

We received the written disclosures and the letter from KPMG required by the PCAOB regarding the independent accountant's communications with us concerning independence, and we discussed the firm's independence with KPMG.

We discussed with the Company's internal auditors and KPMG the overall scope and plans for their respective audits. We met with the internal auditors and the independent auditors at each regularly scheduled meeting, both with and without management present. Discussions included the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

We have also assessed the performance of the independent auditors and have appointed KPMG to audit the Company's financial statements for 2014, subject to shareholder ratification of that appointment.

Based on the reviews and discussions referred to above, reliance on management and KPMG, and subject to the limitations of our role described above, we recommended to the Board the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the

Securities and Exchange Commission.

Audit and Ethics Committee

Bruce W. Wilkinson, Chair

Julie A. Dobson

Alan J. Fohrer

Robert R. Nordhaus



## INDEPENDENT AUDITOR FEES

## Audit Fees for 2013 and 2012

The following table represents aggregate fees billed to the Company for fiscal year ended December 31, 2013 by KPMG, the Company's principal accounting firm for 2013, with comparative amounts for 2012 that were paid to Deloitte & Touche LLP, the Company's former principal accounting firm during that time.

Fees	Fiscal Year Ended	
	(in thousands)	
	2013	2012
Audit Fees	1,418	1,557
Audit-related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	1,418	1,557

Audit fees are primarily for the audit of the Company's annual financial statements, review of financial statements included in the Company's 10-Q filings and the annual Sarbanes-Oxley audit.

All fees have been approved by the Audit Committee. The reported aggregate fees billed for professional services include travel related expenses to perform the services and applicable gross receipts taxes.

The Audit Committee requires the independent accounting firm selected to audit the Company's financial statements to obtain the approval of the Audit Committee before performing any non-audit services permitted by applicable law so that the Audit Committee may determine whether the provision of such services is compatible with the maintenance of that firm's independence in the conduct of its auditing functions. Thus, the Audit Committee preapproves all audit services and all permitted non-audit services performed by the principal accounting firm.

## Change in Registered Public Accounting Firm

Deloitte & Touche LLP ("Deloitte") was the Company's independent registered public accounting firm for fiscal year 2012 and for several prior years. However, effective as of 5:00 p.m. Mountain Standard Time on March 1, 2013, the Board, on the recommendation of the Audit Committee, dismissed Deloitte and engaged KPMG as its independent registered public accounting firm for fiscal year 2013. KPMG's reports on the PNMR, PNM and TNMP consolidated financial statements as of and for the fiscal year ended December 31, 2013, and Deloitte's reports on the PNMR, PNM and TNMP consolidated financial statements as of and for the fiscal years ended December 31, 2012 and 2011, contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2012 and 2011 and through March 1, 2013, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte, would have caused it to make reference to the subject matter of the disagreements in its reports for such years. During the fiscal years ended December 31, 2012 and 2011 and through March 1, 2013, there were no reportable events as defined in Item 304(a)(1)(v) of the SEC's Regulation S-K.

During the fiscal years ended December 31, 2012 and 2011 and through March 1, 2013, the date of engagement of KPMG, neither PNMR, PNM nor TNMP nor any person on their behalf, consulted with KPMG with respect to (i) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of PNMR, PNM and TNMP, and no written report or oral advice was provided by KPMG to PNMR, PNM or TNMP that KPMG concluded was an

important factor considered by PNMR, PNM or TNMP in reaching a decision as to the accounting, auditing, or financial reporting issue; or (ii) any matter that was the subject of either a disagreement as defined in Item 304(a)(1)(iv) of the SEC's Regulation S-K or a reportable event as described in Item 304(a)(1)(v) of the SEC's Regulation S-K.

PROPOSAL 2: RATIFY APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS  
(PROPOSAL 2 ON YOUR PROXY CARD)

The Board is recommending that the shareholders ratify the selection of KPMG as independent public accountants for 2014.

The Audit Committee has performed its annual evaluation of the quality and cost of services provided by KPMG and an assessment of auditor independence. The Audit Committee reported to the Board complete satisfaction with the services provided by KPMG and recommended that KPMG be selected as independent public accountants for 2014. The Board agrees with the Audit Committee's recommendations, as described in the Audit Committee report contained in this proxy statement.

Representatives of KPMG will be available at the Annual Meeting where they will have the opportunity to make statements and answer questions. If shareholders fail to ratify the appointment of KPMG, the Audit Committee will consider other auditors for 2014. However, because of the difficulty in making any substitution of auditors so long after the beginning of the current year, the appointment of KPMG as independent public accountants for 2014 will stand unless the Audit Committee determines there is a compelling reason for a change.

The Board of Directors unanimously recommends a vote FOR the ratification of KPMG LLP as independent public accountants for 2014.

PROPOSAL 3: APPROVAL OF THE PNM RESOURCES, INC.  
2014 PERFORMANCE EQUITY PLAN  
(PROPOSAL 3 ON YOUR PROXY CARD)

General Information

As described in the CD&A, equity-based long-term incentive awards are an important element of our executive compensation program. Since the Company's 2009 annual meeting, long-term equity incentive awards have been issued pursuant to the 2009 PEP. On, February 27, 2014, the Board adopted, subject to shareholder approval, the 2014 PEP. If shareholder approval is obtained, the 2014 PEP will become effective as of the date of this Annual Meeting.

The 2014 PEP will supersede and replace the 2009 PEP and all other currently effective similar plans adopted by the Company at any time in the past (collectively, the "Prior Plans"), provided that all Prior Plans shall remain in effect until all awards granted under the Prior Plans have been exercised, forfeited, cancelled, or have otherwise expired or terminated. No awards will be made under any Prior Plan if and when the 2014 PEP is approved by the shareholders.

Like the 2009 PEP, the purpose of the 2014 PEP is to advance the interests of the Company by encouraging and providing for the acquisition of an equity interest in the Company by employees and non-employee directors, by providing additional incentives and motivation toward superior performance of the Company and by enabling the Company to attract and retain the services of employees and non-employee directors upon whose judgment, interest and special effort the successful conduct of the Company's operations is largely dependent. To further these objectives, the 2014 PEP allows the Company to grant stock options, restricted stock rights, restricted stock, stock grants, stock units, performance shares, performance units, performance cash, stock appreciation rights ("SARs") and non-employee director retainer awards.

As of December 31, 2013, a total of 4,474,183 shares of common stock remained authorized but unissued under the Prior Plans. Of those 4,474,183 shares, 983,828 shares remain available for grant as restricted stock rights, restricted stock, performance shares, and performance units (such awards are commonly referred to as full value awards). Based on estimated usage and historical data, the Compensation Committee anticipates depleting the shares currently available for grant under the 2009 PEP as full value awards by the end of 2014. In order to continue to have an appropriate supply of shares available for grant as full value awards, the Company is asking the shareholders to increase the total number of shares available for grant under the 2014 PEP to 13,500,000. Further, in an effort to responsibly manage the new share pool, the Company has structured the share pool for the 2014 PEP to reflect a fungible design ratio of 1:5, whereby the share pool is charged five (5) shares for each share subject to a full value award under the 2014 PEP (the "Fungible Design").

In preparing the 2014 PEP, the Company has taken into consideration emerging trends and current best practices with respect to equity-based compensation plans. In this regard and, in addition to the new Fungible Design, the 2014 PEP contains the following provisions which we believe reflect best practices for equity-based compensation plans:

**Limitations on Repricing** - The 2014 PEP expressly prohibits the Compensation Committee from repricing stock options and SARs without prior shareholder approval.

**No Liberal Share Counting** - The 2014 PEP expressly requires that: (i) settlement of a stock-settled SAR or broker-assisted “cashless” exercise of a stock option (or a portion thereof) shall reduce the number of shares available for grant by the entire number of shares subject to the award (or applicable portion thereof), even though a smaller number of shares will be issued upon such settlement and/or exercise; (ii) shares tendered or withheld to pay the exercise price of a stock option or tendered or withheld to satisfy a tax withholding obligation shall not again become available for grant; and (iii) shares purchased on the open market with cash proceeds generated by the exercise of a stock option shall not increase or replenish the number of shares available for grant.

**No Discounted Stock Options or SARs** - The 2014 PEP includes an express requirement that all stock options and SARs be granted at an exercise price that is at least equal to the value of one (1) share of Company stock on the grant date.

**No Payment of Dividend Equivalents on Unearned Awards** - The 2014 PEP prohibits the payment of dividend equivalents for any dividend equivalent granted in connection with any award that vests based on the achievement of performance goals, unless and until the award vests or is earned by satisfaction of the applicable performance goals.

**No Liberal Change in Control Definition** - The 2014 PEP contains a definition of change in control whereby potential acceleration of awards will only occur in the event of an actual change in control transaction.

**Double Trigger Vesting** - The 2014 PEP includes, as a general rule, double-trigger vesting following a change in control.

**Clawback Provision** - The award document for any award granted pursuant to the 2014 PEP will provide for the recapture or clawback of all or any portion of the award to comply with Company policy or applicable law in effect on the date of the award document, including, but not limited to, the final rules issued under the Dodd-Frank Act.

**Annual Limitation on Director Equity Awards** - The 2014 PEP imposes a 15,000 share (or equivalent cash value) limit on the number of shares of stock that may be granted to any one (1) non-employee director during any one (1) calendar year as a non-employee director retainer award.

**No Evergreen Provision** - The 2014 PEP does not have an evergreen or similar provision, which provides for an automatic replenishment of shares available for grant.

Set forth below is a summary of the principal provisions of the 2014 PEP. The summary is qualified by reference to the full text of the 2014 PEP which is attached to this proxy statement as Appendix B.

## SUMMARY OF PLAN FEATURES

### Administration

The 2014 PEP will be administered by the Compensation Committee or such other committee as may be designated by the Board. The Compensation Committee must be comprised of at least two (2) independent members of the Board. Each Compensation Committee member must be a “non-employee director” as defined in Rule 16b-3 of the Securities Exchange Act, an “outside director” as defined in Section 162(m) of the Tax Code and an “independent director” as defined in the NYSE Listing Standards. The Compensation Committee, by majority action, is authorized to: (i) interpret the 2014 PEP; (ii) prescribe, amend and rescind rules and regulations relating to the 2014 PEP; (iii) provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company; and (iv) make all other determinations necessary or advisable for the administration of the 2014 PEP, to the extent they are not inconsistent with the 2014 PEP. The Compensation Committee shall have the power and authority to make all other determinations that may be necessary or advisable for the administration of the 2014 PEP.

Except in the case of the non-employee director retainer awards and except as otherwise provided in the Compensation Committee Charter, the Compensation Committee has the authority, in its sole discretion, to determine: (i) the participants who are entitled to receive awards under the 2014 PEP; (ii) the types of awards; (iii) the times at

which awards will be granted; (iv) the number of awards; (v) the purchase price or exercise price, if any, for any award and the period(s) during which the awards shall be exercisable (whether in whole or in part); (vi) the restrictions applicable to awards; (vii) the form of each award document (“award document” is a term used in the 2014 PEP to describe any written agreement (including an award agreement), contract, acknowledgment, award letter, or other instrument or document evidencing an award); (viii) the other terms and provisions of any award, which need not be the same for each participant, including, but not limited to, whether and to what extent, and in what circumstances an award may be settled in cash, stock, other awards, or other property or whether an award may be canceled, forfeited, exchanged or surrendered; and (ix) the schedule for lapse of restrictions or limitations and accelerations or waivers thereof, based in each such case on such considerations as the Compensation Committee deems appropriate.

## Eligibility

Awards may be made only to those individuals who are, on the date of grant of the award: (i) employees of the Company or employees of PNM, TNMP, or PNMR Services Company; or (ii) non-employee members of the Board.

## Shares Available for Awards

The total number of shares of common stock subject to awards under the 2014 PEP may not exceed 13,500,000, subject to adjustment upon the occurrence of any of the events specified in the 2014 PEP. The 13,500,000 shares include the number of shares of stock that were authorized but unissued under the Prior Plans as of December 31, 2013 (namely, 4,474,183 shares of stock). The shares of common stock to be delivered under the 2014 PEP may consist, in whole or in part, of authorized, but unissued, shares of Company common stock or shares purchased on the open market or treasury stock not reserved for any other purpose.

Solely for purposes of calculating the number of shares of stock available for grant under the 2014 PEP, the following share counting rules shall apply:

The number of shares available for grant shall be reduced by five (5) shares of stock for each share subject to awards granted under the 2014 PEP other than stock options or SARs, plus one (1) share of stock for each share subject to stock option or SAR awards granted under the 2014 PEP, plus one (1) share of stock for each share subject to awards granted under any Prior Plan on or after December 31, 2013.

If an award granted under the 2014 PEP (or any award outstanding under any Prior Plan after December 31, 2013) terminates, expires, or lapses for any reason, the number of shares subject to such award shall again become available for the grant under the 2014 PEP. For this purpose, each share of stock subject to awards granted under the 2014 PEP other than stock options or SARs shall be counted as five (5) shares of stock, each share of stock subject to awards granted under the 2014 PEP as stock options or SARs shall be counted as one (1) share of stock and each share of stock subject to awards granted under any Prior Plan shall be counted as one (1) share of stock.

If an award is settled in cash, the shares used to measure the value of the award, if any, shall not reduce the number of shares available for grant under the 2014 PEP.

The exercise of a stock-settled SAR or broker-assisted "cashless" exercise of a stock option (or a portion thereof) shall reduce the number of shares available for grant by the entire number of shares subject to the award (or applicable portion thereof), even though a smaller number of shares will be issued upon such an exercise.

Dividend equivalents paid in stock shall reduce the number of shares available for grant by the number of shares used to satisfy such dividend equivalent.

Shares tendered or withheld to pay the exercise price of a stock option or tendered or withheld to satisfy a tax withholding obligation arising in connection with an award shall not again become available for grant under the 2014 PEP. Moreover, shares purchased on the open market with cash proceeds generated by the exercise of a stock option shall not increase or replenish the number of shares available for grant under the 2014 PEP.

## Individual Limitations on Awards

No employee participant in the 2014 PEP may be granted an award for more than 500,000 shares of common stock or the equivalent cash value during any one (1) calendar year. The maximum number of shares that may be issued to an employee participant as incentive stock options during any one (1) calendar year is also 500,000. The maximum performance-based award (other than a performance cash award) payable to any one (1) participant during any one (1) calendar year is 500,000 shares of stock or the equivalent cash value. The maximum performance cash award payable to any one (1) participant in any one (1) calendar year is 500,000 times the fair market value of one (1) share of stock on the first day of such calendar year.

No non-employee director participant in the 2014 PEP may be granted a retainer award for more than 15,000 shares of common stock or the equivalent cash value during any one (1) calendar year.

As of March 25, 2014, the closing price of the Company's stock on the NYSE was \$26.93 per share.

25

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#### Awards Available Under the 2014 PEP

The following types of awards may be granted pursuant to the 2014 PEP: stock options; restricted stock rights; restricted stock; stock grants; stock units; performance shares; performance units; performance cash; SARs; and non-employee director retainer grants.

**Stock Options.** The Compensation Committee may grant incentive stock options and nonqualified stock options under the 2014 PEP. Incentive stock options will be granted only to participants who are employees. The exercise price of all stock options granted under the 2014 PEP will be at least 100% of the fair market value of Company stock on the date on which the stock option is granted. No stock option may be exercised more than ten (10) years from the date of grant. Upon exercise of any stock option, payment must be made in full (i) in cash; (ii) in previously acquired shares of stock (through actual tender or by attestation) held for more than six (6) months (which holding requirement may be waived by the Compensation Committee after consideration of the applicable accounting standards), valued at fair market value on the date of exercise; (iii) by any net-issuance arrangement (including, in the case of a nonqualified stock option, any broker-assisted “cashless” exercise arrangement); or (iv) by a combination thereof. A participant will have none of the rights of a shareholder with respect to stock options until the shares of stock subject to the exercise of the stock option are issued to the participant.

**Restricted Stock Rights.** The Compensation Committee also may grant restricted stock rights awards under the 2014 PEP. A restricted stock rights award gives the participant the right to acquire common stock in the future at no monetary cost to the participant. Shares of common stock are not issued under the award until specified restrictions lapse. The restrictions typically involve the achievement of specified performance targets and/or the continued employment of the participant until a specified date. During the restricted period, participants shall have no voting rights with respect to the shares of stock subject to their restricted stock rights award. In the award document for any restricted stock rights award, the Compensation Committee may also grant the participant dividend equivalents or other distribution rights. In no event may a dividend equivalent awarded in connection with a restricted stock right that vests based on the achievement of performance goals be paid unless and until such restricted stock right award vests or is earned by satisfaction of the applicable performance goals.

**Restricted Stock.** The Compensation Committee also may grant restricted stock under the 2014 PEP. A restricted stock award gives the participant the right to receive a specified number of shares of common stock at a purchase price determined by the Compensation Committee (including and typically zero). Restrictions limit the participant’s ability to transfer the stock and subject the stock to a substantial risk of forfeiture until specific conditions or goals are met. During the restricted period, participants holding restricted stock may, if permitted by the Compensation Committee, have full voting and dividend rights with respect to such shares. The restrictions will lapse in accordance with a schedule or other conditions as determined by the Compensation Committee. Except as otherwise determined by the Compensation Committee at the time the award is granted, if a participant terminates employment when the restricted stock is subject to restrictions, the participant forfeits the unvested restricted stock; provided, however, that the Compensation Committee may provide in the award document that the restrictions or forfeiture conditions related to the restricted stock will be waived in whole or in part in the event of terminations resulting from specified causes.

**Stock Grant Awards.** The Compensation Committee also may grant stock grant awards under the 2014 PEP. A stock grant award gives the participant the right to receive (or purchase at a price determined by the Compensation Committee) a specified number of shares of common stock free of any vesting restrictions. The purchase price, if any, for a stock grant award shall be payable in cash or in any other form of consideration acceptable to the Compensation Committee.

**Stock Unit Awards.** The Compensation Committee also may grant stock unit awards under the 2014 PEP. A stock unit award gives the participant the right to receive a specified number of shares of common stock, or a cash payment equal to the fair market value of a designated number of shares, in the future, free of any vesting restrictions.

Performance Shares. The Compensation Committee also may grant performance share awards under the 2014 PEP. A performance share award gives the participant the right to receive common stock of the Company if the participant achieves the performance goals specified by the Compensation Committee during a performance period of not less than one (1) year specified by the Compensation Committee. In the award document for any performance share award, the Compensation Committee also may grant the participant dividend equivalents. In no event may a dividend equivalent awarded in connection with a performance share award be paid unless and until such performance share award vests or is earned by satisfaction of the applicable performance goals.

Performance Units. The Compensation Committee also may grant performance unit awards under the 2014 PEP. A performance unit award gives the participant the right to receive common stock of the Company, a cash payment or a combination of stock and cash, if the participant achieves the performance goals specified by the Compensation Committee during a performance period

of not less than one (1) year specified by the Compensation Committee. In the award document for any performance unit award, the Compensation Committee also may grant the participant dividend equivalents. In no event may a dividend equivalent awarded in connection with a performance unit award be paid unless and until such performance unit award vests or is earned by satisfaction of the applicable performance goals.

**Performance Cash Awards.** The Compensation Committee also may grant performance cash awards under the 2014 PEP. A performance cash award gives the participant the right to receive a cash payment if the participant achieves the performance goals specified by the Compensation Committee during a performance period of not less than one (1) year specified by the Compensation Committee.

**Stock Appreciation Rights.** The Compensation Committee also may grant SARs under the 2014 PEP. A SAR gives the participant the right to share in the appreciation in value of one (1) share of common stock of the Company. Appreciation is calculated as the excess of (i) the fair market value of a share of common stock on the date of exercise over (ii) the fair market value of a share of stock on the grant date (or such higher amount determined by the Compensation Committee). SARs may be granted in connection with the grant of a stock option, in which case the exercise of the SARs will result in the surrender of the right to purchase the shares under the stock option as to which the SARs were exercised. Alternatively, SARs may be granted independently of stock options. Payment for SARs shall be made in Company stock. SARs are exercisable at the time and subject to such restrictions and conditions as the Compensation Committee approves, provided that no SAR may be exercised more than ten (10) years following the grant date.

**Non-Employee Director Retainer Grant.** A portion of the annual retainer for the non-employee members of the Board may be paid through the grant of any type of award available under the 2014 PEP. The Board has the authority to determine the amount of any award granted to non-employee directors. Unless the Board determines otherwise, the grant date for retainer awards to non-employee directors shall be each annual meeting date. The terms and conditions of awards granted to non-employee directors under the 2014 PEP shall be set forth in an award document. The award document for a retainer award payable in stock may allow the non-employee director to defer the receipt of any compensation attributable to the award pursuant to the terms and conditions established by the Board from time to time.

**Performance-Based Awards.** When the Compensation Committee grants a restricted stock, restricted stock right, performance share, performance unit, or performance cash award, it may designate the award as a performance-based award. Performance-based awards are intended to qualify for the “performance-based compensation” exception to the limitations on the deduction of compensation imposed by Section 162(m) of the Tax Code. Section 162(m) of the Tax Code only applies to “covered employees” as defined in Section 162(m) of the Tax Code. Therefore, only covered employees (or those employees who the Compensation Committee reasonably believes could be covered employees in the near future) are eligible to receive awards that are designated as performance-based awards. Unless the award document evidencing an award to a covered employee indicates that the award is not intended to be a performance-based award, the award will be considered a performance-based award. The Compensation Committee may, in its discretion, grant awards under the 2014 PEP to covered employees that do not qualify for the exception.

The payment of restricted stock, restricted stock rights, performance share, performance unit, or performance cash awards that are designated as performance-based awards is contingent upon a covered employee’s achievement of pre-established performance goals during a performance period of not less than one (1) year specified by the Compensation Committee. Performance goals are based on any one (1) or more pre-established performance criteria. The pre-established performance criteria are limited to the following: revenue; revenue growth; earnings (including earnings before interest, taxes, depreciation and amortization); operating income; pre- and after-tax income; cash flow (before and after dividends); cash flow per share (before and after dividends); net earnings; earnings per share; adjusted cash earnings; return on equity; return on capital (including return on total capital or return on invested capital); cash flow return on investment; return on assets or net assets; economic value added (or an equivalent

metric); share price performance; total shareholder return; improvement in or attainment of expense levels; improvement in or attainment of working capital levels; total operating cost or operating cost per unit of output (megawatt hours); the ratio of funds from operations to debt; improvement in, attainment of, or compliance with various environmental standards; and customer satisfaction and safety. Any of the performance criteria may be measured either in absolute terms or as compared to any incremental increase, or as compared to results of a peer group, indices, or any other basket of companies. Financial performance criteria may, but need not, be calculated in accordance with GAAP or any successor method to GAAP, including International Financial Reporting Standards. In the award document, the Compensation Committee shall, within the time prescribed by Section 162(m) of the Tax Code, define in an objective fashion the manner of calculating the performance criteria it selects to use for a particular performance period for a particular covered employee.

With respect to any performance-based award, the Compensation Committee has the discretion to: select the length of the performance period (which may not be less than one (1) year), the type of performance-based awards to be issued, the kind and/

or level of performance goal or goals and whether the performance goal or goals apply to the Company, an affiliate or subsidiary or any division or business unit of any of them, or to the individual participant or any group of participants.

At the time the performance-based award is first issued, the Compensation Committee may specify in the award document whether performance will be evaluated to include or exclude the effect of certain events that occur during the performance period. Those events are listed in Section 10.5 of the 2014 PEP. The inclusion or exclusion of the events listed in Section 10.5 shall be expressed in a form that is intended to satisfy the requirements of Section 162(m) of the Tax Code. In the award document, the Compensation Committee also may, but only within the time prescribed by Section 162(m), include or exclude other items in the calculation of performance goals for a performance period in order to prevent the dilution or enlargement of the rights of participants: (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development; or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

In the award document for any performance-based award that is to be settled in cash rather than stock, the Compensation Committee may reserve the discretion to decrease (but not increase) the amount of compensation that would otherwise be due upon the attainment of the performance goal. For any performance-based award that is to be settled in stock, the Compensation Committee may not make any adjustment or take any other action that will change the amount payable pursuant to the Award. The Compensation Committee must certify, in writing, prior to the payment of a performance-based award, that the performance goals and any other material terms and conditions precedent to such payment have been satisfied.

Unless otherwise provided in an individual award document, a participant must be an employee on the day a performance-based award is paid to the participant. The designation of a covered employee for any performance period will not in any manner entitle the participant to receive a performance-based award for such performance period. Moreover, designation of a covered employee for a particular performance period will not require designation of such covered employee for any subsequent performance period.

#### Restrictions

The Compensation Committee may impose such restrictions on any awards under the 2014 PEP as it may deem advisable, including restrictions under applicable Federal securities law, under the requirements of any stock exchange upon which the Company's common stock is then listed and under any blue sky or state securities law applicable to the awards.

#### Termination of Employment or Service

Awards granted under the 2014 PEP may be subject to special vesting and payment rules in the event of a participant's termination of employment or service due to death, disability, retirement, impaction, or voluntary or involuntary termination of employment for reasons other than impaction or cause. The 2014 PEP also prescribes special vesting and payment rules in the event of a participant's termination of employment or service due to a qualifying change in control termination. These special rules are specified in the 2014 PEP for stock options, SARs, restricted stock rights, performance share and performance unit awards or in the award document for restricted stock and performance cash awards.

#### Certain Change in Control Transactions

While the 2014 PEP generally provides for "double trigger" vesting upon a change in control (i.e., a qualifying change in control termination), special "single trigger" vesting rules apply if the Board reasonably concludes, in good faith, that

the value of awards, or a participant's opportunity to share in the future appreciation of awards, will be materially impaired following the closing of a transaction that results in a change in control. These special rules are specified in the 2014 PEP for stock options, SARs, restricted stock rights, performance share and performance unit awards or in the award document for restricted stock and performance cash awards.

#### Clawback of Awards

Every award issued under the 2014 PEP is subject to potential recapture or clawback to the fullest extent called for by Company policy or applicable Federal or state law, including, but not limited to, the final rules issued by the SEC pursuant to Section 954 of the Dodd-Frank Act. The Compensation Committee also may include other clawback provisions in an award document as it determines to be appropriate. By accepting an award, a participant agrees to be bound by, and comply with, the terms of any such recapture or clawback provision and any Company request or demand for recapture or clawback.

### Non-transferability

The Compensation Committee may, in its sole discretion, determine the right of a participant to transfer any award granted under the 2014 PEP, provided that in no event may an award be transferred for value or consideration. Unless otherwise determined by the Compensation Committee, no award granted under the 2014 PEP may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution or pursuant to a domestic relations order (that would otherwise qualify as a qualified domestic relations order as defined in the Tax Code or Title I of the Employee Retirement Income Security Act of 1974, but for the fact that it relates to an award granted under the 2014 PEP) in favor of a spouse, or, if applicable, until the termination of any restricted or performance period as determined by the Compensation Committee.

### Amendment, Modification and Termination of PEP

Subject to the Board's right to amend or terminate the 2014 PEP at any time, the 2014 PEP will remain in effect until all awards issued under the 2014 PEP expire, terminate, are exercised or are paid in full in accordance with the 2014 PEP provisions and any award document. However, no award may be granted under the 2014 PEP after the tenth anniversary of its effective date.

The Board may at any time, and from time to time, terminate, amend, or modify the 2014 PEP; provided, however, that any such action shall be subject to the approval of the shareholders to the extent required by law, regulation, or the rules of any exchange on which Company stock is listed. To the extent permitted by law, the Board may delegate to the Compensation Committee or the CEO the authority to approve non-substantive amendments to the 2014 PEP. Except as otherwise provided in the 2014 PEP, neither the Board, the CEO nor the Compensation Committee may do any of the following without shareholder approval: (i) reduce the purchase price or exercise price of any outstanding award, including any stock option or SAR; (ii) increase the numeric limits expressed in the 2014 PEP; (iii) grant stock options or SARs with an exercise price that is below fair market value of a share of Company stock on the grant date; (iv) reprice previously granted stock options or SARs or take any other action relative to a stock option or SAR that would be treated as a repricing under the rules of the NYSE; (v) cancel any stock option or SAR in exchange for cash or any other award or in exchange for any stock option or SAR with an exercise price that is less than the exercise price for the original stock option or SAR; (vi) extend the exercise period for a stock option or SAR beyond ten (10) years from the grant date; (vii) expand the types of award available for grant under the 2014 PEP; or (viii) expand the class of individuals eligible to participate in the 2014 PEP.

Except as provided in the next sentence, no amendment, modification, or termination of the 2014 PEP or any award granted under the 2014 PEP shall in any manner adversely affect any award previously granted under the 2014 PEP without the consent of the holder thereof. The consent of the holder of an award is not needed if the change: (i) is necessary or appropriate to conform the award to, or otherwise satisfy legal requirements (including without limitation the provisions of Sections 162(m) or 409A of the Tax Code); (ii) does not adversely affect in any material way the rights of the holder; or (iii) is made pursuant to an adjustment subject to the events described in Section 4.3 of the 2014 PEP. Furthermore, the Compensation Committee may, in exceptional circumstances, amend an Award previously granted. Except in the event of a change in control, the Compensation Committee shall not have the authority to amend an award document to accelerate the vesting or waive the forfeiture restrictions of any performance-based award. The Compensation Committee shall not take any other action that would cause a performance-based award to fail to satisfy the requirements of Section 162(m) of the Tax Code unless the Compensation Committee concludes that the deduction limitations will not become applicable or that the amendment is appropriate despite the deduction limitation imposed by Section 162(m) of the Tax Code.

### Tax Withholding

The Company and its affiliates have the power to withhold, or require a participant to remit to the Company, an amount sufficient to satisfy Federal, state and local withholding tax requirements on any award under the 2014 PEP.

To the extent that alternative methods of withholding are available under applicable laws, the Company and its affiliates will have the power to choose among such methods.

#### Federal Income Tax Consequences of the PEP

The following is a brief summary of certain of the Federal income tax consequences of certain transactions under the 2014 PEP based on Federal income tax laws in effect on April 3, 2014. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

As a general rule, a participant will not recognize taxable income with respect to any award at the time of grant. If the participant receives a stock grant that is not subject to a substantial risk of forfeiture or if a participant who receives a restricted stock grant



makes the election permitted by Section 83(b) of the Tax Code, the participant will recognize income on the award at the time of grant.

Upon exercise of a nonqualified stock option, the lapse of restrictions on restricted stock, or upon the payment and/or or settlement of SARs, restricted stock