

***HABERSHAM ELECTRIC MEMBERSHIP
CORPORATION***

BYLAWS

CLARKESVILLE, GEORGIA

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION

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HABERSHAM ELECTRIC MEMBERSHIP CORPORATION BYLAWS

ARTICLE I

MEMBERS

1.01 Eligibility for Membership. Any person, as that term is defined by the Georgia Electric Membership Corporation Act, who may lawfully receive electrical service from an Electric Membership Corporation is eligible to become a member of Habersham Electric Membership Corporation, referred to in these Bylaws as “Cooperative”.

1.02 Preconditions to Membership. No person shall become a member unless the following conditions have been met:

(a) The person has made a written application for membership in the Cooperative, in the form prescribed by the Cooperative. Absent a written request, any payment made to HEMC for service shall constitute member’s agreement to be bound by these Bylaws and the Cooperative’s Service Rules and Regulations.

(b) The person has agreed to take electric service from and is, unless temporarily prevented from doing so by causes reasonably beyond the person’s control, taking electric service from the Cooperative at one (1) or more premises.

(c) The person has agreed to comply with and be bound by the Article of Incorporation and Bylaws of the Cooperative and the Rules and Regulations from time to time adopted by the Board of Directors of the Cooperative.

(d) The person has paid a service security deposit, membership fee, contribution in aid of construction, or any charge required by the Cooperative’s Service Rules and Regulations prescribed from time to time by the Board.

(e) The person has paid all prior obligations owed by that person to the Cooperative.

(f) The person has satisfied all other conditions established for membership by the Board of Directors.

(g) The Board has approved the person into membership of the Cooperative.

Should the Cooperative ascertain that is providing electric service to a person who has not complied, and upon written request refuses or fails to comply with any one or more of these preconditions, the Cooperative may terminate electric service to the premises of such person.

1.03 Joint Membership. Husband and wife may apply for a joint membership or may convert an existing membership held by either to a joint membership, and subject to their compliance with the requirements for membership set forth in Section 1.02 of this Article, may be accepted for membership. The term “Member” as used in these Bylaws shall be

deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the following principles shall apply in respect to joint members:

(a) The presence at a meeting of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of notice of the meeting.

(b) The vote of either separately or both jointly shall constitute one (1) joint vote. Should joint members, however, disagree as to how a vote should be cast, each joint member shall be entitled to cast a one-half (1/2) vote.

(c) A waiver of notice signed by either or both shall constitute a joint waiver.

(d) A consent signed by either or both shall constitute a consent for both.

(e) Notice to either shall constitute notice to both.

(f) Expulsion, suspension or withdrawal of either shall terminate the joint membership.

(g) Either, but not both concurrently, may be a candidate for or elected or appointed as an officer or member of the Board of Directors, provided that both meet the qualifications of the office.

Upon the death of either spouse holding a joint membership, such membership shall be held solely by the survivor; however, the estate of the deceased shall not be released from any debts due the Cooperative.

1.04 Transfer of Membership. A membership may be transferred but only to one who directly occupies or uses the premises being furnished electric service by the Cooperative and upon the successor member meeting the requirements of membership set forth in Section 1.02 above.

1.05 Obligations of Members and Applicants for Membership. Each member and applicant for membership shall be obligated to:

(a) Purchase from the Cooperative, as soon as electric energy shall be available, all electric energy purchased for use on premises to which electric service is provided by the Cooperative at the request of the Member or the Member’s agent, unless temporarily prevented from doing so by causes reasonably beyond the control of the applicant or members, and shall pay therefore at rates which shall from time to time be fixed by the Board.

(b) Comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and the Service Rules and Regulations from time to time adopted by the Board of Directors of the Cooperative.

(c) Upon request by the Cooperative, to execute and deliver to the Cooperative grants of easement or right-of-way over, on and under lands owned by the member in accordance with such reasonable terms and

conditions as the Cooperative may require, for the furnishing of electric service to the member or other members or for the construction, operation, maintenance or relocation of the Cooperative's facilities, lines and equipment for future members and applicants for membership.

(d) Pay all sums justly due the Cooperative under the rates, tariffs, Service Rules and Regulations promulgated from time to time by the Cooperative. When the member has more than one service connection from the Cooperative, any payment for service to him by the Cooperative shall be deemed, pro forma, to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such proration.

(e) Cause all premises to which electric service is provided by the Cooperative to become and remain wired in accordance with the specifications of the National Electric Code, any other applicable code and ordinances as determined by governing authorities and the Cooperative. In this connection each member shall be responsible for and shall indemnify the Cooperative or any other person against injury, loss or damage resulting from any defect in or improper use or maintenance of the member's premises, wiring or apparatuses utilizing electrical energy on the premises.

IN NO EVENT, HOWEVER, SHALL THE RESPONSIBILITY OF THE COOPERATIVE EXTEND BEYOND THE POINT WHICH ITS SERVICE WIRES ARE ATTACHED TO THE MEMBER'S SERVICE ENTRANCE OR WIRING ON THE MEMBER'S PREMISES.

(f) Provide devices to protect electrical motors and equipment in event of over current, low voltage, single phasing, etc.

1.06. Suspension of Membership and Reinstatement of Membership. Upon the failure of a member to pay for electrical service provided to the member by the Cooperative within the time required, or upon the member's failure to comply with the member's obligations set forth in the Service Rules and Regulations of the Cooperative, which results in the Cooperative's termination of electrical service to the member's premises, the membership rights of the member shall be suspended for a period of sixty (60) days from the date that the electric service was terminated. If the member, within this sixty (60) day period, shall pay all sums required by the Cooperative's Service Rules and Regulations for reinstatement of services and shall satisfactorily rectify any other non-compliance with the Service Rules and Regulations of the Cooperative, and the Cooperative reinstates electric service to the premises of the member, the membership rights of the member shall be automatically reinstated.

1.07 Withdrawal. Any member may withdraw from membership upon payment in full of all debts, liabilities and obligations of the member to the Cooperative and in compliance with such other terms

and conditions as the Board of Directors may prescribe.

1.08 Withdrawal and Termination. A member will be deemed to have withdrawn and terminated his membership in the Cooperative upon the Board of Directors adopting a resolution terminating the membership following the occurrence of any one of the following:

(a) A voluntary withdrawal from membership by a member upon payment in full of all debts, liabilities and obligations of the member to the Cooperative and compliance with such other terms and conditions as the Board of Directors may prescribe.

(b) The death or cessation of existence of member.

(c) A member who shall fail to reinstate a membership suspended in accordance with Paragraph 1.06 above, shall automatically be deemed to have withdrawn and terminated his membership without the necessity of the adoption of a resolution by the Board of Directors terminating his membership.

1.09 Expulsion. Member may be expelled from membership pursuant to such reasonable terms and conditions as may from time to time be adopted by the Board of Directors.

1.10 Effect of Withdrawal, Termination and Expulsion. Upon the withdrawal, termination or expulsion of a member, the membership of such person shall terminate. Termination of a membership shall not release any member or the member's estate from any debts due the Cooperative.

ARTICLE II

MEETING OF MEMBERS

2.01 Annual Meeting. The annual meeting of the members shall be held in the months of June, July, September or October of each year, at such place within a county in which electrical service is provided by the Cooperative, as shall be determined by the Board of Directors and designated in the notice of the meeting. The annual meeting shall be for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting, except matters which, under these Bylaws, the Articles of Incorporation or the Georgia Electric Membership Corporation Act are required to be, but have not been, stated in the notice of the annual meeting. Failure to hold the annual meeting shall not work a forfeiture nor such failure affect otherwise valid corporate acts.

2.02 Special Meeting. Special meetings, or a special meeting in lieu of the annual meeting of members, may be called by the Chairman, the Board of Directors or upon the written request of not less than ten percent (10%) of the members of the Cooperative, in which event, it shall be the duty of the Secretary to cause notice of such meeting to be given as required. A special meeting of the members may be held at such place within a county in which electrical service is provided by the Cooperative, as determined

by the Board of Directors and specified in the notice of the special meeting.

2.03 Notice of Members' Meetings. Written notice stating the place, day and hour of the annual meeting of the members and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be provided not less than five (5) (10 days if notice is provided by a means other than first class mail) nor more than ninety (90) days before the date of the meeting, by any reasonable means, by or at the direction of the Secretary, or the officer or persons calling the meeting, to each member of record then entitled to vote at such meeting. Reasonable means of providing such notice shall include, but not be limited to, United States mail, personal delivery, electric membership corporation's newsletter or member's monthly service bill. The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting. Attendance of a member at a meeting shall of itself constitute waiver of notice and waiver of any and all objections to the place of the meeting, the time of the meeting or the manner in which it has been called or convened, except when a member attends a meeting solely for the purpose of stating at the beginning of the meeting any such objection or objections to the transaction of business.

2.04 Quorum. Attendance in person of at least 150 members of the Cooperative shall constitute a quorum for any meeting of members. A majority of those present may adjourn the meeting from time to time whether or not a quorum is present. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken; and at the adjourned meeting, any business may be transacted that might have been transacted on the original date of the meeting.

2.05 Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. At all meetings of the members, the spouse of a member when the member is absent, shall be entitled to vote in place of the member. At all meetings of the members at which a quorum is present, the affirmative vote of a majority of the members represented at the meeting shall be the act of the membership unless the vote of a greater number is required by these Bylaws, the Articles of Incorporation or by law; provided, however, when a quorum is once present to organize a meeting, the members present may continue to do business at the meeting or at any adjournment thereof, notwithstanding the withdrawal of enough members to leave less than a quorum.

The Board may authorize a return-mail or electronic balloting process for the casting of votes on specific business matters in addition to or in place of voting for such matters at a meeting of the members. In such cases, the Board shall cause to be printed and mailed

to all members, return-mail written ballots for voting on matters authorized by the Board. Instructions as to how the ballot(s) may be voted shall be printed thereon, and an explanation as to how the ballot may be returned and the deadline for return shall be enclosed therewith. The ballot shall be issue-neutral.

2.05A Absentee Voting. Members, who are unable to attend the meeting of the members, shall be provided the opportunity to vote an absentee ballot on all contested elections or other business matters appearing on the official ballot. The absentee ballot may be obtained at and returned to the office of the Cooperative, or through the mail using return-mail written absentee ballots during the period of not more than fourteen (14) days and not less than two (2) business days prior to the meeting of the members. The Credentials and Elections Committee, or a subcommittee thereof, shall qualify, count, and retain all return-mail absentee ballots prior to the meeting of the members. The results shall not be revealed to anyone until the appropriate time at the meeting of the members. Any member who votes by absentee ballot as above provided and then attends the annual meeting shall not be allowed to vote on the same matters during the meeting. The Board of Directors may adopt policies, rules and regulations governing the casting of absentee ballots and the delivery of such ballots to the place of the annual meeting.

2.06 Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Report on number of members present in person in order to determine the existence of a quorum.
2. Reading or waiver of reading of the notice of the meeting and proof of provision of notice.
3. Reading or waiver of reading of unapproved minutes of previous meetings of the members and the taking of necessary action with respect to such meetings.
4. Presentation and consideration of and acting upon reports of officers, directors and committee.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

The Board may, however, in their discretion, establish a different order of business for the purpose of assuring the earlier consideration and action upon any item of business, the transaction of which is necessary or desirable in advance of any other item of business. If a revised order of business is established by the Board, notice of the revised order shall be provided in the notice of the meeting.

2.07 Credentials and Election Committee. The Board of Directors shall, at least 60 days before any annual meeting of the members, appoint a Credentials and Election Committee composed of members who are not officers or directors of the Cooperative or candidates for such positions nor employees of the Cooperative, which shall be responsible for

supervising the procedures for election of directors, the counting of all ballots or votes cast and for ruling on the effect of any ballots or votes irregularly marked or cast and on all other questions that may arise relating to member voting and the election of directors, including but not limited to, the validity of petitions of nomination or qualification of candidates and the regularity of the nomination and election of directors. Any committee member related within the second degree by affinity or consanguinity, computed according to the civil law, to any candidate for director shall refrain from participating in any deliberation or vote of the committee concerning such candidate. The Committee shall be comprised of not less than five (5) nor more than fifteen (15) members.

The Credentials and Election Committee shall meet within five (5) days after the deadline for filing petitions to pass on the validity of petitions, qualifications of candidates, and carry out other duties.

2.08 Robert's Rules of Order. Parliamentary procedure at the annual meeting of the members shall be governed by the most recent edition of *Robert's Rule of Order*; except to the extent such procedure is otherwise controlled by law or the Articles of Incorporation or these Bylaws. Any failure to conduct the meeting in compliance therewith, however, shall not render invalid any action taken at the meeting unless objection citing such failure is made at the time such action is taken.

ARTICLE III

DIRECTORS

3.01 General Powers of Board of Directors. The business and affairs of the Cooperative shall be managed by a Board of nine (9) directors, except as otherwise noted below, which shall exercise all the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members. The number of directors may be increased or decreased from time to time by amendment hereto, or by other procedure set forth herein; however, provided that no amendment hereto shall have the effect of shortening the term of any incumbent director.

3.02 Election of Directors. At each annual meeting, directors shall be elected by the members to serve for a period of three (3) years and until the third succeeding annual meeting of the members after each director was elected or, notwithstanding the foregoing, until their successors shall have been elected and shall have qualified. Election of directors shall be by secret ballot unless there is only one member nominated for each seat coming vacant on the Board of Directors and the membership votes at the meeting to waive election by secret ballot.

Districts. The Board of Directors shall create (4) four member districts to be established generally and

equitably such that each director shall represent an approximate equal number of members. The Districts shall be represented by a map on file with the corporate records at the main office and available for inspection or copy upon request by any member. The Board of Directors shall name each District and shall have the duty of informing each and every member of the Cooperative of the District divisions. Each District shall have at least one (1) director on the Board during any given term. The Board of Directors shall on a regular basis, but not less than once every three years, examine the district boundaries and make changes as needed to ensure fair representation as the geographical distribution of the membership changes.

3.03 Qualifications of Directors. No member shall be eligible to be elected, remain, or re-elected a director of the Cooperative unless such member meets the following qualifications:

(a) Such member is a natural person of the age of 18 years or over;

(b) Such member has been a member of the Cooperative and has resided within the HEMC district of which he or she would represent for at least one (1) year prior to the date on which he or she would take office;

(c) Such member is receiving service from the Cooperative at his primary residential abode unless temporarily prevented from doing so by causes reasonably beyond such member's control. The filing of a claim for homestead exemption shall be conclusive proof of the place of primary residence; proof of place of primary residence of a person who does not claim a homestead exemption shall be made by such evidence as shall be satisfactory to the Credentials and Election Committee;

(d) Such member is not in any way employed by or financially interested in an enterprise competing with the Cooperative. As used herein, "financially interested" shall mean ownership of more than a five percent (5%) interest of any sort in any such enterprise;

(e) Such member is not an employee of the Cooperative;

(f) Such member is not related to another director of the Cooperative in the first or second degree by affinity or consanguinity; and

(g) Such member is not the spouse of or otherwise related to a permanent, full-time employee of the Cooperative in the first or second degree by blood or marriage. A Board member who becomes related to another director or permanent employee as provided herein may complete his or her term on the Board but shall not be eligible for re-election so long as the relationship exists. Notwithstanding the requirements of this paragraph, any duly elected director in office as of January 1, 2006, shall be eligible for re-election to the Board in any subsequent year as long as all other qualifications are met.

- (h) Such member has not been employed on a part-time, full time, or contract basis, by the cooperative within the previous thirty-six (36) months.
- (i) Such member is not a former employee currently receiving employment-related benefits from the Cooperative, e.g. retirement, medical insurance benefits, etc.
- (j) Such member shall not have ever been convicted of a felony crime.
- (k) Such member shall not have ever filed for personal bankruptcy.
- (l) Such member shall not have been disconnected from electric service for failure to make payment within the previous five (5) years.
- (m) Candidate affidavit. The member seeking election to the office of director shall provide a signed affidavit, in the form provided by the Cooperative, confirming their qualifications as outlined in this section for consideration as a director and authorizing the Cooperative to conduct criminal background checks and credit reports in accordance with applicable statutes.

3.04 Nominations by Nominating Committee. It shall be the duty of the Board to appoint, not less than 95 days before the date of each annual meeting or other meeting at which directors are to be elected, a Nominating Committee whose members shall be selected by the Board so as to give equitable representation to the geographical areas served by the Cooperative. No Board member shall be appointed to the Nominating Committee. It shall be the duty of the Nominating Committee to meet at least fifty (50) days prior to such meetings and to nominate one or more candidates for the directorships that are to be filled at such meetings.

3.05 Nominations by Petition. Other nominations for such elections may be made by written petition signed by not less than fifty (50) members which shall be submitted to the Secretary of the Cooperative or his nominee not less than forty-five (45) days prior to such meeting.

3.06 Notice of Nominees. The Secretary shall be responsible for posting at the headquarters of the Cooperative the nominees for the election made by the Nominating Committee and by petition, and if feasible, shall include same in the notice to the members for the meeting at which the election is to be held. The list of nominees shall be posted not less than thirty (30) days prior to the Annual Meeting.

3.07 Election. Directors will be elected at large. An immediate drawing by lot shall resolve, where necessary, any tie votes.

3.08 Vacancies.

(a) Any director may resign at any time by giving written notice to the Board of Directors or to the President/CEO of the Habersham Electric Membership Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors

or the President/CEO, and the acceptance of such resignation shall not be necessary to make it effective.

(b) Any director may be removed with or without cause at any time by the members, at the annual meeting or at a special meeting of the members called for that purpose, and may be removed for cause by action of the Board. As used herein the term “for cause” shall include but not be limited to the following (i) dereliction of duties, (ii) continuous and consecutive absence from regularly scheduled meetings of the Board for a period of six (6) calendar months.

(c) Any vacancy on the Board of Directors occurring by reason of the death, resignation, disqualification, removal or inability to act of any directors, except vacancies created by removal by the members, shall be filled as follows:

(i) Any vacancy occurring more than sixty (60) days prior to the next regularly scheduled annual meeting shall be filled by a majority vote of the remaining directors, though less than a quorum, at any regular meeting or special meeting of the Board of Directors called for that purpose. Any director so elected shall serve until the next regularly scheduled annual meeting of the members at which time an election shall be held to fill the unexpired portion of the term of the director causing the vacancy.

(ii) Should any vacancy occur less than sixty (60) days and more than forty-five (45) days prior to the next regularly scheduled annual meeting of the members the Nominating Committee shall nominate one (1) or more persons to fill the vacancy, for the unexpired portion of the term, as provided in Section 3.04 of these Bylaws.

(iii) Should any vacancy on the Board of Directors occur less than forty-five (45) days before the next regularly scheduled annual meeting of the members, or should any of the nominees for directors die or become disqualified within such period of time so that there would not be a sufficient number of nominees remaining on the ballot to fill the seats of the directors to be elected at the next regularly scheduled annual meeting of the members, then, in either of such events, the remaining directors by a majority vote, at any regular meeting or special meeting of the Board of Directors called for that purpose, shall elect a person from within the district vacated to fill such vacancy, and any director so elected shall serve until the regularly scheduled annual meeting of the members to be held during the ensuing year at which time an election shall be held to fill the unexpired portion of the term of the director whose seat was vacated.

(d) Any vacancy created by the removal of a director by the members, shall be filled by the members at the meeting at which the removal was effected. Any vacancy in the Board of Directors occurring by reason of an increase in the number of directors shall be filled by the members at the meeting at which the Amendment to the Bylaws authorizing the increased number is duly adopted. In such

instances, and only in such instances, nominations from the floor shall be permitted.

3.09 Failure of Compliance. Failure to comply with any of the provisions of this article as to the election of directors, except bad faith or intentional failure to comply, shall not affect the validity of the election of any director nor shall it invalidate the actions of all or any of the directors.

3.10 Compensation. Directors as such shall not receive any salary for their services, but by resolution of the Board of Directors, an allowance for insurance, a fixed sum paid on a per diem basis and expenses associated therewith may be allowed for attendance at:

- (a) Each meeting of the Board of Directors.
- (b) Each meeting of a committee of the Board of Directors.
- (c) Each state, regional or national meeting, convention, seminar, institute or clinic, provided that such attendance has been previously authorized by the Board of Directors.
- (d) Any other meetings at which attendance is specifically authorized by the Board of Directors.

3.11 Emeritus Director. The position of an "emeritus director" is hereby established in recognition of long and meritorious service rendered by directors to the Cooperative while serving as a member of the Board of Directors. A director or ex-director shall become eligible for the position of emeritus director upon meeting the following:

- (a) Having attained his 66th birthday.
- (b) (1) Having served a total of twenty years on the Board of Directors, or
- (2) Having served a minimum of twelve years when leaving the Board and being 66 years of age or older.
- (c) Being a member of the Cooperative.

Upon becoming eligible, the Board will approve a resolution designating such former director as emeritus director unless there is just cause to deny such designation.

An emeritus director who ceases being a member of the Cooperative shall automatically forfeit his status as emeritus director and all benefits associated.

An emeritus director may upon written permission of the Board of Directors, attend meetings of the Board of Directors but shall have no vote on any matter pending before the Board of Directors.

Such status may be revoked, with cause, by vote of two thirds (2/3) of the Board of Directors.

The Cooperative may provide an allowance to assist with the cost of medical insurance for the emeritus director and spouse at time of retirement to the same extent as provided to retired employees of the Cooperative and to the extent available under the insurance program. While an emeritus director will not be eligible for the cooperative's medical insurance coverage if he/she previously chose not to continue medical insurance coverage, he/she shall receive the appropriate allowance.

3.12 Policies, Rules and Regulations. The Board of Directors shall have power to make and adopt such

policies, rules and regulations not inconsistent with the law or the Articles of Incorporation or Bylaws of the Cooperative as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

ARTICLE IV

MEETING OF DIRECTORS

4.01 Regular Meetings of Directors. A meeting of the Board of Directors shall be held without notice immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly or more often at such time and place as the Board of Directors may provide by resolution. Such regular meetings may be held without notice.

4.02 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place, which shall, unless authorized by a majority of the entire Board of Directors, be in Habersham County, Georgia, for the holding of any special meeting of the Board of Directors called by them.

4.03 Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given by or at the direction of the Chairman, the Secretary or the persons calling the meeting. The notice shall be given to each director at least five (5) days prior to the meeting, by written notice delivered personally or mailed to each director at his last known address. If mailed, such notice shall be deemed delivered when deposited in the United States mail so addressed with first-class postage thereon, prepaid. Notice of a meeting of the Board of Directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except when a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened, which objection shall be voiced at the commencement of the meeting.

4.04 Quorum for Meeting of Directors. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. A majority of the directors present may adjourn the meeting to another time and place without further notice, whether or not a quorum is present.

4.05 Action of Board of Directors. The vote of a majority of directors present and voting at the time of the vote, if a quorum is present at such time, shall be the act of the Board of Directors unless the vote of a greater number is required by law, the Articles of Incorporation or these Bylaws.

The Board of Directors or any committee designated by such Board may participate in a meeting of such Board or committee by means of conference, telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at such meeting.

4.06 Written Consent. Any action required to be taken at a meeting of the Board of Directors or any action that may be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent setting forth the action so taken is so signed by all the directors and filed with the minutes of the proceedings of the Board of Directors.

ARTICLE V

OFFICERS

5.01 Number. The officers of the Cooperative shall be a Chairman, Vice-Chairman, Secretary and Treasurer. The offices of Secretary and of Treasurer may be held by the same person.

5.02 Election and Term of Office. The officers shall be elected annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

5.03 Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

5.04 Vacancies. Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

5.05 Chairman. The Chairman shall be the principal officer of the Cooperative and unless otherwise determined by the majority of the Board, shall preside at all meetings of the members and the Board of Directors and shall, in general, perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Directors from time to time.

5.06 Vice-Chairman. In the absence of the Chairman, or in the event of his inability or refusal to act, the Vice-Chairman shall perform the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman and shall perform such other duties as

from time to time may be assigned to him by the Board of Directors.

5.07 Secretary. The Secretary shall be responsible for:

(a) Keeping the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;

(b) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(c) Safe keeping of the seal of the Cooperative and affixing the seal to all documents, the execution of, which on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws;

(d) Keeping a register of the post office address of all members;

(e) The general charge of the books of the Cooperative in which a record of the members is kept;

(f) Keeping on file at all times a complete copy of the Bylaws of the Cooperative containing all amendment thereto, which copy shall always be open to the inspection of any member;

Furnishing a copy of the Bylaws and all amendments thereto to a member upon such member's request.

(g) In general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

5.08 Treasurer. The Treasurer shall be responsible for:

(a) Custody of all funds and securities of the Cooperative;

(b) The receipt and issuance of receipts for monies due and payable to the Cooperative from any source whatsoever and for deposit of all such monies in the name of the Cooperative in such depositories or investments as shall be selected in accordance with the provisions of these Bylaws;

(c) In general, performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

5.09 President/CEO. The Board of Directors shall appoint a President/CEO who may be, but who shall not be required to be, a member of the Cooperative. The President/CEO shall be the chief executive officer and shall manage the activities of the cooperative and shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time vest in him.

ARTICLE VI

NON-PROFIT OPERATION

6.01 Non-Profit Operation. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons.

6.02 Patronage Capital in Connection with Furnishing Electric Energy - Receipt. In the furnishing of electric energy the Cooperative's operation shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. No interest or dividend shall be paid or be payable by the Cooperative on any capital furnished by its patrons.

6.03 Patronage Capital - Accounts. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expense. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account. The Cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron by notification to all patrons of the aggregate amount of such excess with an explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him.

6.04 Patronage Capital - Status as Such. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had been furnished the Cooperative corresponding amounts of capital.

6.05 Other Patronage Capital - Allocation. All other amounts received by the Cooperative from its operation in excess of costs and expenses shall, insofar as permitted by law, be:

(a) Used to offset any losses incurred during the current or any prior fiscal year; and

(b) To the extent not needed for that purpose allocated to is patronage on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of the patrons as herein provided.

6.06 Patronage Capital From Other Organizations. Notwithstanding any other provision of these Bylaws, the Board shall have the power to adopt rules providing for the separate accounting for and procedure for the retirement of such other amounts of capital credited to the account of the Cooperative by other organizations in which the Cooperative is a member. Such rules shall among other things:

(a) Establish a method for determining portions of such capital credited to each of the Cooperative's patrons for each applicable fiscal year.

(b) Provide for the separate identification thereof for each patron on the Cooperative books.

(c) Provide for appropriate notification thereof to patrons.

(d) Preclude a general or special retirement thereof prior to actual receipt of such capital by the Cooperative.

6.07 Patronage Capital - Dissolution. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.

6.08 Patronage Capital - Distribution Prior to Dissolution. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. In no event, however, may such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least thirty percent (30%) of the total assets of the Cooperative.

6.09 Patronage Capital - Assignment. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the Assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the Cooperative unless the Board of Directors acting under policies of general application shall determine otherwise.

6.10 Patronage Capital - Right of Setoff. If a member or a patron should terminate his or her membership in the Corporation, either voluntarily, or if said membership is terminated by action of the Board of Directors or by the members at a membership meeting, and at the time of such termination the member or patron is indebted to the Corporation for nonpayment of any debt or obligation, which may include electric service, penalties, and/or other fees and services rendered as provided for in the policies of the Corporation, the Corporation may, at the time of the retirement of said capital credit, charge the same to the capital credit account of the member or patron and debit the member's or patron's capital credit account in the amount and credit the same to the member's or patron's delinquent and unpaid account.

6.11 Patronage Capital - Unclaimed Refunds. When capital credits or other refunds, such as deposits and membership fees, are made to the member's account, and the payment of the refund cannot be accomplished because the member cannot be found via the last known mailing address, and the check is returned by the postal department or is not presented for payment, the same shall be disposed of as follows:

(a) Place in a "Deferred Credits" account and paid to the original payee or his estate, if claimed by the person entitled thereto, less expenses incurred by the Cooperative to maintain records relating to such accounts. The balance of such account shall be considered abandoned and property of the

Cooperative after such time and for such purposes as prescribed under Georgia laws and regulations.

(b) The Board of Directors is vested with wide discretion in the administration of this section.

(c) Tender of capital refunds shall be presumed to be accomplished when a check of the Cooperative is properly mailed to the member-customer at his last address shown on the books of the Cooperative.

6.12 Patronage Capital Contract with Member.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provision. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VII

OPERATIONS AND MISCELLANEOUS

7.01 Bonds of Officers and Employees. The Board of Directors shall require the Treasurer and any other officer of the Cooperative charged with the responsibility for the custody of any of its property to be bonded in such sum and with such surety as the Board of Directors shall determine. The Board of Directors may, in its discretion, require any other officers, agent or employee of the Cooperative to be bonded in such amount and with such surety as the Board shall determine. All premiums and expenses associated with the acquisition and maintenance of the bonds for such officers, agents or employees shall be paid by the Cooperative.

7.02 Reports. The Cooperative shall, within four (4) months of the close of the fiscal year, prepare reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year. Such report shall be provided to any member requesting it.

7.03 Fiscal Year. The fiscal year of the Cooperative shall commence on the first day of January and end on the last day of December each year.

7.04 Contract. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative and such authority may be general or confined to specific instances.

7.05 Checks, Drafts, Etc. All the checks, drafts or other orders for the payment of money and all notes, bonds or other evidence of indebtedness issued in the name of the Cooperative shall be signed by such

officer or officers or employee or employees, of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

7.06 Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such depository or investments as the Board of Directors may select.

7.07 Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the directors at a duly held meeting.

7.08 Accounting Systems and Reports. The Board of Directors shall cause to be established and maintained accounting systems and other financial and management systems as would be established by ordinarily prudent men under similar circumstances and like positions.

7.09 Obligations of Cooperative for Service. The Cooperative will use its best efforts to furnish adequate and dependable electric service, although THE COOPERATIVE CANNOT AND THEREFORE DOES NOT GUARANTEE A CONTINUOUS AND UNINTERRUPTED SUPPLY OF ELECTRICITY.

7.10 Circulation of Newsletter. For the purpose of disseminating information devoted to the science of agriculture, to agricultural cooperation and to productive means of exploiting electric energy, the Board of Directors shall be authorized to circulate to the members periodically a newsletter.

ARTICLE VIII

INDEMNIFICATION AND INSURANCE

8.01 Indemnification. The Cooperative shall indemnify each person who is or was a director, officer, employee or agent of the Cooperative (including the heirs, executors, administrators or estate of such person) or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise to the full extent permitted under Sections 34C-617(a), (b) and (c) of the Georgia Electric Membership Corporation Act or any successor provisions of the laws of the State of Georgia. If any such indemnification is requested pursuant to Sections 34C-617(a) or (b) of said Act or laws, the Board of Directors shall cause a determination to be made (unless a court has ordered the indemnification) in one of the manners prescribed in Section 34C-617(d) of said Act or laws as to whether indemnification of the party requesting indemnification is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 34C-617(a) or (b) of said Act or laws. Upon any such determination that such indemnification is proper, the Cooperative shall make indemnification payments of liability, cost, payment or expense asserted against, or paid or incurred by, him

in his capacity as such a director, officer, employee or agent to the maximum extent permitted by said sections of said Act or laws. The indemnification obligation of the Cooperative set forth herein shall not be deemed exclusive of any other rights, in respect of indemnification or otherwise, to which any party may be entitled under any other Bylaw provision or resolution approved by the members pursuant to Section 34C-617 (f) of said Act or laws.

8.02 Insurance. The Cooperative may purchase and maintain insurance at its expense to protect itself and any Director, officer, employee or agent of the Cooperative (including the heirs, executors, administrators or estate or any such person) against any liability, cost, payment or expense described in Section 8.01 of this Article VIII, whether or not the Corporation would have the power to indemnify such person against such liability.

ARTICLE IX

PROPERTY

9.01 Disposition. The Cooperative may not sell any of its property other than:

(a) property which, in the judgment of the Board of Directors, neither is nor will be necessary or useful in operating and maintaining the Cooperative's system and facilities; provided, however, that all sales of such property shall not in any one year exceed in value ten per centum (10%) of the value of all of the property of the Cooperative;

(b) services of all kinds, including electric energy; and

(c) personal property acquired for resale; unless such sale is authorized at a meeting of members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon at such meeting in person and that two-thirds (2/3) must be a majority of the entire membership and the notice of such proposed sale shall have been contained in the notice of the meeting; or if all or substantially all of the property of the Cooperative is involved, such sale is authorized pursuant to the provisions of Section 34C-1102 of the Georgia Electric Membership Act.

9.02 Security Interest. The Board of Directors, without any authorization by the members, at any regular meeting of the Board of Directors or any special meeting of which notice of the intent and purpose of the meeting is given in writing, shall have full power and authority to borrow money from the United States of America or any agency or instrumentality thereof or any national financing institution organized on a cooperative plan for the purpose of financing its member's programs, projects and undertakings in which the Habersham Electric Membership Corporation is a member or from any other entity whatsoever and in connection with such borrowing from either one or more of such lenders, to authorize the making and issuance of bonds, notes or other evidences of indebtedness and to secure the

payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or deed or deeds of trust, security deeds, financing statements and security instruments upon the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative whether acquired or to be acquired and wherever situated, all upon such terms and conditions as the Board of Directors of this Cooperative shall determine.

ARTICLE X

SEAL

The seal of the Cooperative shall be in such form as the Board of Directors may from time to time determine. In the event it is inconvenient to affix such a seal at any time, the words "Corporate Seal" or the word "Seal" accompanying the signature of an officer signing for and on behalf of the Cooperative shall be the seal of the Cooperative.

ARTICLE XI

AMENDMENTS

These Bylaws may be amended at any meeting of the Board of Directors by the affirmative vote of not less than a majority of the Directors present at a meeting at which a quorum is present, providing notice of such meeting containing a copy of the proposed amendment or a reasonable synopsis thereof shall have been given at least five (5) days prior thereto; provided, however, that the Board of Directors shall not have the power to alter, amend or repeal provisions of these Bylaws or adopt new Bylaw provisions directly relating to the election of the Board of Directors. Any Bylaw provision required to be adopted or amended by the members may be altered, amended, repealed or new provisions adopted by a two-thirds (2/3) majority of the members voting, provided notice containing a copy of the proposed amendment or a reasonable synopsis thereof shall have been given.

Any Bylaw provision adopted by the Board of Directors may be altered, amended or repealed and the new provisions adopted by the members by the affirmative vote of not less than two-thirds (2/3) of the members present at a meeting at which a quorum is present, provided notice of such meeting containing a copy of the proposed amendment or a reasonable synopsis thereof shall have been given.