

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
BOARD OF DIRECTORS
REGULAR BOARD MEETING
August 28, 2018**

The Board of Directors of the Habersham Electric Membership Corporation met at the office of the corporation in Clarkesville, Georgia, August 28, 2018. The meeting was called to order by Chairman Jeff Ferguson at 3:00 pm.

Brad Hicks provided a safety briefing including procedures to follow in case of an emergency.

The invocation was given by David Wall.

Those present were:

Billy Cantrell	Jeff Ferguson	Jeff Herrin
Dustin Hulsey	Kenneth McEntire	Dan Thurmond
David Wall	Rick Wood	

Frank McCrackin was absent.

Also, present were Bradley Hicks, President/CEO; Janney Sanders, Attorney; and Carolyn Helton, Executive Assistant.

Dan Thurmond requested that Director Compensation be added to the agenda – it will be discussed under Leadership Team Updates.

Jason Peacock, Auditor with McNair, McLemore, Middlebrooks and Co., entered the meeting at this time. He reviewed the IRS Form 990 and discussed the method of reporting for Directors. Also, he discussed the recent audit for the year ended April 30, 2018. He reported that the audit was good with no issues and the financial condition was in good condition with assets almost \$134 million, equities over \$54 million, operating margins after interest expense are \$4,062,465 and net margins were \$5,880,299.

Mr. Peacock left at this time.

Elaine Johns and Ronnie Donaldson with EnerVision entered the meeting at this time and reviewed the following proposed revised board policies:

- 1) Board Member Responsibilities
- 2) Board Member Qualifications
- 3) Policy Formation and Approval Process
- 4) Information Security
- 5) Non-Discrimination
- 6) Code of Ethics
- 7) Conflict of Interest

Each policy was discussed in detail with comments and suggestions being offered for consideration. The policies will be presented at the September Board Meeting for approval.

Ms. Johns and Mr. Donaldson left at this time.

The following leadership team updates were provided:

- 1) Operations
 - a. SAIDI – 10.96 for July resulting in 130 outages affecting 4,418 members with year-to-date at 96.40 resulting in 893 outages.
 - b. New construction requests for July were 21 for a year-to-date of 168.
- 2) No lost time accidents were reported for July.
- 3) Financial Ratios (YTD)
 - a. TIER 5.34
 - b. OTIER 5.03
 - c. Equity 41.3%
- 3) Net margins were \$1,757,993 for month of July resulting in 26.0% margin as a % of operating revenue.
- 4) Accounts billed to date are 34,835.
- 5) Trailwave Update – Pless and Leaf Substation construction is complete and closing documentation has been submitted. The primary focus is completing the drops and home installations. As this phase of the project winds down, drop progress is slowing as crews are leaving for other jobs.

- 6) At Dan Thurmond's request, Director compensation was discussed. Several comments and suggestions were provided. A motion was made by Rick Wood and seconded by Jeff Herrin to approve a revised compensation. Due to lack of support, Rick Wood rescinded his motion and no action was taken. Brad Hicks noted that the Board of Directors – Compensation and Expense Reimbursement Policy had been modified through resolution on December 28, 2017, and recommend the Board's compensation be reevaluated in January 2019 and this was the consensus of the Board.

Motion was made by Dan Thurmond and seconded by Kenneth McEntire to approve the following consent items:

- 1) Inventory of Work Orders and Special Equipment.
- 2) Consumer Accounting-Applications for Memberships and Withdrawals of Memberships; Delinquent Report
- 3) Draft of Minutes – July 19, 2018, July 31, 2018
- 4) Directors/Attorney's Per Diem Report
- 5) Calendars – September, October, November 2018

Motion carried.

The following Cooperative Update was provided by Brad Hicks:

- 1) CEO Summary Report
 - a. Staffing Update
 - Susan Baker has retired after 27 years of service.
 - Valerie Stamey has been hired as the new Manager, Member Services.
 - Greg Sprayberry has accepted the position of Manager, Field Area Network
 - Tony Adams is serving as Interim Manager, IT.
 - Dispatcher position will be posted in the coming weeks.
 - Currently, three job positions are posted: Director Member Services, Director of IT and Director of Engineering.
 - b. Commitment to Zero Contracts Initiative – 100% participation is expected in this effort.
 - c. Real Estate
 - The Cleveland office is being evaluated based on costs, ADA noncompliance per RUS, safety concerns, large sink hole in the parking area and staffing needs. A recommendation will be brought to the board at the September meeting.
 - Old headquarters – an appraisal was completed June 25 – NGN has expressed an interest in the property and will be contacting them that the appraisal has been completed.
 - d. HEMC/NGN Member Manager Meeting is conducted monthly to discuss financial and operations areas for NGN.
 - e. New board member orientation for Jeff Herrin was completed August 24, 2018.
 - f. Davey Tree's right-way contract has been terminated and the new contract has been awarded to McAllister Tree Services for the remainder of 2018.
- 2) Fleet Purchases for 2019 – A five (5) year fleet management plan has been developed that averages an annual budget of \$1M.
- 3) NGN Audit has been completed and following are some of the discrepancies that were discovered:
 - a. Many small dollar discrepancies.
 - b. Expenses are not properly allocated to the three members.
 - c. Labor time not properly allocated.
 - d. Employee bonuses were out of range compared to performance.
 - e. Lack of segregation of duties.
 - f. Procurement Policy does not exist.
 - g. Work orders not properly executed.
 - h. No defined inventory practices or procedure.
 - i. Nepotism policy does not align with good internal controls.
 - j. Audit is not current.
 - k. Year-end-true-up not being provided.
 - l. Brad Hicks noted that there is lack of focus on the financial side of business.

The following items were presented for Board Action:

- 1) Resolution – Posting IRS Form 990 to HEMC Website. A motion was made by Rick Wood and seconded by Jeff Herrin to approve the resolution. Motion carried.
- 2) Resolution – Fleet Purchases – A motion was made by Dustin Hulsey and seconded by Kenneth McEntire to approve the resolution as presented authorizing the Chief Executive Officer or his designee to proceed with the 2019 and 2020 fleet budget. Motion carried.
- 3) Resolution – Approval of Termination of Assignment and Assumption Agreement with Rooker Athens, LLC – Approval of Resource Exhibit with Green Power EMC. A motion was made by Rick Wood and seconded by Dan Thurmond to approve as presented. Motion carried.
- 4) Resolution – Approval of Termination of Assignment and Assumption Agreement with Bio Energy (Georgia) LLC – Approval of Resource Exhibit with Green Power EMC. A motion was made by Jeff Herrin and seconded by David Wall to approve as presented. Motion carried.
- 5) CFC Voting Delegate – A motion was made by Dustin Hulsey and seconded by Billy Cantrell to approve Brad Hicks as the voting delegate at the NRECA Region 2 & 3 Meeting. Motion carried.

The Board went into Executive Session at this time to discuss legal issues, Vogtle update and personnel.

Information items were presented per the agenda.

There were no reports from Directors.

The meeting was adjourned at 7:40 pm.


Secretary


Chairman