

BYLAWS OF FLEMING-MASON ENERGY COOPERATIVE, INC.

Adopted

It shall be the aim of Fleming-Mason Energy Cooperative, Inc. to make electric energy available to its members on an area coverage basis at the lowest cost consistent with sound economy and good management.

ARTICLE I MEMBERSHIP

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of the Fleming-Mason Energy Cooperative, Inc. (hereinafter called the "Cooperative") by:

- (a) Making a written application for membership therein;
- (b) agreeing to purchase electric energy from the Cooperative as hereinafter specified;
- (c) agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any policies and regulations adopted by the board of directors; and
- (d) paying the membership fee hereinafter specified; provided, however, a person, firm, association, corporation or body politic or subdivision thereof may "for good cause shown" be rejected for membership by vote of the board of directors and a notice of rejection shall be sent to the applicant. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board. Such certificates shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the board may prescribe.

SECTION 3. Joint Membership. Individuals recognized in a legally recognized marriage may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include individuals recognized in a legally recognized marriage holding a joint membership and any provisions 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 effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;
- (f) Expulsion of either shall terminate the joint membership;
- (g) Withdrawal of either shall terminate the joint membership;
- (h) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

SECTION 4. Conversion of Membership. (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the board of directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 5. Membership and Service Connection Fees. The membership fee shall be ten dollars, upon the payment of which a member shall be eligible for one service connection. A

service connection fee of ten dollars shall be charged for each additional service connection which is refundable in accordance with Section 7C.

SECTION 6. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by the board of directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source, thereof, by means of facilities which shall be interconnected with cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the cooperative.

SECTION 7. Termination of Membership. (a) Membership in the Cooperative and a certificate representing the same shall not be transferable, except as hereinafter otherwise provided. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board of the Cooperative may by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board of directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure makes him liable to expulsion and such failures shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from a cooperative, shall be cancelled by resolution of the board of directors.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

(c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee or connection fee paid in cash by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee or connection fee the amount of any debts or obligations owing from the member to the Cooperative; and, provided further, however, that any membership fee which has been paid, in whole or in part, by the application of capital credited to the account of a non-member patron as provided in these bylaws, shall be repaid to the member only in accordance with the provisions of these bylaws with respect to the retirement of patronage capital.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members.

SECTION 2. Non-liability for debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III MEETING OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held between May 1 and July 31 of each year, the exact date being at the discretion of the Board of Directors, at such place in the County of Fleming, State of Kentucky, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparation for the annual meeting. If the day fixed for the annual meeting shall fall on a legal holiday, that meeting shall be held on the next succeeding business day. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special meetings. Special meetings of the members may be called by resolution of the board, or upon a written request signed by any three directors, by the President, or by ten per cent or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Fleming, State of Kentucky, specified in the notice of the special meeting.

SECTION 3. Notice of Members' meetings. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. Fifty members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the articles of incorporation or these bylaws.

SECTION 6. Proxies. A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after sixty days from the date of its execution. No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member may give his proxy only to another member or to an adult relative living in the same house with such member. No person may vote more than one proxy at any meeting provided, however, that any person may vote an unlimited number of proxies upon resolutions pertaining to a sale, mortgage, lease, or other disposition or encumbrance of property to the United States of America, or any agency or instrumentality thereof, the National Rural Utilities Cooperative Finance Corporation, and any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service, upon resolutions pertaining to issuance by the Cooperative to United States of America, or any agency instrumentality thereof, the National Rural Utilities Cooperative Finance Corporation, and any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service, of obligations in the form of bonds, notes, debentures, interim certificates, or other evidences of indebtedness, and upon resolutions pertaining to amendments of the articles of incorporation of the Cooperative.

SECTION 7. 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 the number of members present in person in order to determine the existence of a quorum.
2. Report on the number of members represented by proxy and the names of their respective proxies.
3. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting as the cases may be.
4. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
5. Presentation and consideration of reports of officers, directors, and committees.
6. Election of directors.
7. Unfinished business.
8. New business.
9. Adjournment.

ARTICLE IV DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of seven directors which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members.

The geographical area of the Cooperative shall be divided into seven Districts based on an approximate equal number of members in each so that each of the seven districts will represent the District in which they live.

These Districts shall be known as:

- District 1** – Bracken County, Robertson County and all of Mason County west of Kentucky Highway 11.
District 2 – Mason County east of Kentucky Highway 11, Lewis County west of Kentucky Highway 57 including the city limits of Tollesboro and Northern Fleming County including Mount Carmel, Foxport and Poplar Grove.

District 3 – Lewis County east of Kentucky Highway 57 excluding the city limits of Tollesboro.

District 4 – Nicholas County and western Fleming County including the City of Flemingsburg.

District 5 – Fleming County east of Kentucky Highway 11, east of Kentucky Highway 57 up to Maddox Pike, and north of Colfax Road.

District 6 – Bath County, Fleming County south of Colfax Road; Rowan County west of the Farmers/Sharkey exit on Interstate 64 excluding the Eagle Trace Development.

District 7 – Rowan County east of the Farmers/Sharkey exit on Interstate 64 including the Eagle Trace Development.

The boundaries of the districts are to be recorded on a map in the headquarters office of the Cooperative which is available to all members at any time and may be changed every five years if necessary to keep the number of members in each relatively equal.

SECTION 2. Tenure of office. The number of the directors of Cooperative being fixed at seven (7) and the terms of office of all directors expiring on the date of the annual meeting of the members to be held in 1953. The directors shall be elected at said 1953 meeting of the members as follows:

Two (2) directors shall be elected for a term of one (1) year and two (2) directors elected for a term of two (2) years and three (3) directors elected for a term of three (3) years or until their successors shall have been elected and qualified.

At the annual meeting of the members to be held in 1953 and each year thereafter all directors elected to fill the vacancies of the directors expiring in 1953 and each year thereafter, shall be elected for a term of three years or until their successors shall have been elected and shall have qualified. All directors are eligible for re-election.

If an election of directors shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter.

SECTION 3. Qualifications.

(a) To become and remain a director, a person must comply with the following general qualifications:

- (1) Be an individual and a member in good standing of Fleming-Mason Energy Cooperative, Inc.;
- (2) Have the capacity to enter into legally binding contracts;
- (3) Before becoming a Director, graduate from a high school or earn an equivalent diploma or certification;
- (4) While a Director, or prior to becoming a Director, not be convicted of or plead guilty to a felony;
- (5) While a Director, or prior to becoming a Director, not have a final judgment entered against them involving fraud, ethical violation, discrimination and/or acts of harassment by a state court of competent jurisdiction or a United States Federal Court;
- (6) While a Director and seven years immediately before becoming a Director, been a debtor in a federal bankruptcy proceeding or a similar proceeding under applicable state law such as insolvency, liquidation, receivership, reorganization or assignment for the benefit of creditors;
- (7) While a Director and seven years immediately before becoming a Director, been a party to a foreclosure or other proceeding (judicial or non-judicial) which proceeding is or was instituted because of the director's default on indebtedness.
- (8) Except as otherwise provided by the Board of Directors for good cause shown, within two years of election of becoming a director of Fleming-Mason Energy Cooperative, Inc., receive a Credentialed Cooperative Director designation or certification from the National Rural Electric Cooperative Association.
- (9) Except as otherwise provided by the Board of Directors for good cause shown, attend all properly noticed Regular and Special Board Meetings and Committee Meetings.
- (10) While a Director, must not breach the Director's fiduciary duties to the Cooperative, violate confidences, or engage in illegal activity under the color of authority as a Director; and
- (11) Comply with any other reasonable qualifications determined, made, adopted, amended and/or promulgated in policies or rules of the Cooperative, not inconsistent with law, the Articles of Incorporation, regulations or these Bylaws.

(b) Conflict of Interest Director Qualifications: To become or remain a Director, a person must comply with the following conflict of interest qualifications:

- (1) Prior to becoming a Director and annually thereafter complete and sign a conflict of interest certification and disclosure form approved by the Board of Directors;
- (2) While a Director and during the three years immediately before becoming a Fleming-Mason Director, not be an employee of Fleming-Mason or an employee of a related entity;
- (3) While a Director and during the one year immediately before becoming a Director, not advance or have a Related Individual that advances the individual's financial interest by competing with Fleming-Mason.
(Related Individual means an individual: (1) Who is spouse of an Official; (2) Who is or is the spouse or, a child, stepchild, grandchild, parent, step parent, grandparent, sibling, step sibling, half sibling, aunt, uncle, niece or nephew of an Official or the Official's spouse; (3) Residing with an Official; (4) For whom an Official is a trustee, guardian, personal representative or similar fiduciary; or (5) Employing an Official.
Official means a Director, Officer or Key Employee.

(c) Director Disqualification. After being elected or appointed, if a Director does not comply with all Director Qualifications and Conflict of Interest Director Qualifications (collectively, "Director Qualifications"), then, except as otherwise provided by the Board for good cause, the Board shall disqualify the Director and the individual is no longer a Director if:

- (1) The Board notifies the Director in writing or electronically of the basis for and provides the Director an opportunity to comment regarding the Board's proposed disqualification; and
- (2) Within sixty (60) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.
If a majority of directors authorized by these bylaws complies with the Director Qualifications and approves or disapproves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action. Nothing in this section shall be construed to affect in any manner whatsoever the validity of any action taken at any previous meeting of the Board of Directors.
(Amended Dec. 1, 2011)

SECTION 4. Nomination and Election of Directors. It shall be the duty of the board of directors to appoint, not less than sixty (60) days nor more than ninety (90) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors. At least two persons on the nominating committee shall reside in the District for which each director is to be nominated and elected. Nominations for the office of director may be made by a petition signed by one hundred (100) members living in the District for which the person is being nominated accompanied by an "Affidavit of Qualifications for Director for Fleming-Mason Energy Cooperative, Inc." (as set out in Section 3. ARTICLE IV DIRECTORS) signed by the nominee. This petition must be mailed, given or handed to the Secretary not less than 60 days prior to the meeting and the Secretary shall post the petition at the same place where a list of the nominations made by the committee is posted. The secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. The members may at any meeting at which a director or directors, shall be removed, as herein before provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

SECTION 5. Removal of Directors by Members. Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charge at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations provided however that the successor must reside in the same district as the director in respect of whom the vacancy occurs.

SECTION 6. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the board of directors shall be filled by the affirmative vote of a majority of the remaining directors, for the unexpired portion of the term.

SECTION 7. Compensation. Directors shall not receive any salary for their services as directors, except that by resolution of the board a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of directors, and for other meetings which the members of the board of directors attend in their official capacity and in the interest of the electric cooperative, such attendance to be determined by the board of directors. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by such director or close relative shall have been certified by the board of directors as an emergency measure.

ARTICLE V MEETING OF DIRECTORS

SECTION 1. Regular Meetings. The Board shall meet monthly in Fleming County, Kentucky at the date and time as determined by the Board of Directors. The Board may hold regular board meetings without notice, except as otherwise provided in these Bylaws. (Amended November 3, 2011)

SECTION 2. Special Meetings. Special meetings of the board may be called by the President or by any three directors and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place (which shall be in Fleming County, Kentucky), for the holding of the meeting.

SECTION 3. Notice of Directors' Meetings. Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each director not less than five days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the secretary, by the president or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 4. Quorum. A majority of the board shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting a majority of the directors present may adjourn the meeting from time to time; and provided further, that the secretary shall notify any absent director of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board.

ARTICLE VI OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a president, chairman, vice chairman, secretary, treasurer, and such other officers as may be determined by the board from time to time. The offices of secretary and of treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected annually by the Board at the next regular or special meeting of the Board after the 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 following the next succeeding annual meeting of the members or until his successor is elected and qualified. A vacancy in any office shall be filled by the board for the unexpired term. (Amended November 3, 2011)

SECTION 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the board may be removed by the board whenever in its judgment the best interest of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the secretary such charges in writing together with a petition signed by ten per centum of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

SECTION 4. President. The president, who may or may not be a member of the Board of Directors, shall:

- (a) be the principal executive officer of the Cooperative, and unless otherwise determined by the members of the board, shall preside at all meetings of the members;
- (b) sign, with the secretary, certificates of membership, the issue of which shall have been authorized by the board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general perform all duties incident to the office of president and such other duties as may be prescribed by the board from time to time.

SECTION 5. Chairman. The Chairman shall:

- (a) preside at all meetings of the board of directors;
- (b) in general perform all duties incident to the office of chairman and such other duties as may be prescribed by the board from time to time.

SECTION 6. 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. The vice chairman shall also perform such other duties as from time to time may be assigned to him by the board.

SECTION 7. Secretary. The secretary shall:

- (a) keep the minutes of the meetings of the members and of the board in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents the execution of which on behalf of the Cooperative under his seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the names and post office addresses of all members;
- (e) sign, with the president, certificates of membership, the issue of which shall have been authorized by the board or the members;
- (f) have general charge of the books of the Cooperative;
- (g) keep on file at all times a complete copy of the articles of incorporations and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the bylaws and of all amendments thereto to each member; and
- (h) in general perform 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.

SECTION 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) in general perform all the duties to the office of Treasurer and such other duties as from time to time may be assigned to him by the board.

SECTION 9. Chief Executive Officer. The board may appoint a Chief Executive Officer who may be, but who shall not be required to be, a member of the Cooperative. The authority, duties and compensation of the Chief Executive Officer shall be fixed by the board and he shall perform such duties and shall exercise such authority as the board may from time to time vest in him.

SECTION 10. Bonds of Officers. The treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the board shall determine. The board in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 11. Compensation. The powers, duties and compensation of officers, agents and employees shall be approved by the board, subject to the provisions of these bylaws with respect to compensation for directors and close relatives of directors.

SECTION 12. Reports. The officers of the Cooperative shall submit at each meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VII
NON-PROFIT OPERATION**

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital In Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike 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, members and non-members alike, 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. All such amounts in excess of operating costs and expense at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative is obligated to allocate by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. 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 of each patron. 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 then furnished the Cooperative corresponding amounts of capital.

All other amounts received by the Cooperative from its operations 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 its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

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-rate basis before any payments are made on account of property rights of members. 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. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. Provided, however, that the board of directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall (a) establish a method of determining the power supply portion of capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to their accounts and (d) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

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 a part of such patron's premises served by the Cooperative unless the board of directors, acting under policies of general application, shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these bylaws, the board of directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board of directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

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 provisions. 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 VIII
DISPOSITION OF PROPERTY**

Except as otherwise provided by law with respect to the issuance by the Cooperative of obligations in the form of bonds, notes, debentures, interim certificates or other evidences of indebtedness, the Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber 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 system and facilities; provided however, that all such sales shall not in any one year exceed in value ten per centum of the value of all the property of the Cooperative;
- (b) services of all kinds, including electric energy;
- (c) personal property acquired for resale, and
- (d) merchandise
unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority vote of all the members of the Cooperative taken at a meeting at which the proposed sale, mortgage, lease or other disposition or encumbrance is voted upon.

**ARTICLE IX
SEAL**

The corporate seal of the Cooperative shall be in the form of a circle and shall have in-scribed thereon the name of the Cooperative and the words "Corporate Seal, Kentucky."

**ARTICLE X
FINANCIAL TRANSACTIONS**

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the board 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.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board.

SECTION 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board may select.

SECTION 4. Change in Rates. Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy become effective.

**ARTICLE XI
MISCELLANEOUS**

SECTION 1. Membership in Other Organizations. The Cooperative may become a member of such other organizations as the board of directors shall approve, however, with the objective of furthering the interest of rural electrification.

SECTION 2. Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 3. Rules and Regulations. The board shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. Accounting System and Reports. The board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The board shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. The yearly Financial Report shall be presented to the members in accordance with the Auditor's Report at the next following Annual Meeting.

**ARTICLE XII
AMENDMENTS**

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all of the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

CERTIFICATE OF SECRETARY

I, Dina Gooding, Secretary of the Fleming-Mason Energy Cooperative, Inc. hereby certify that the foregoing is a correct counterpart of the Bylaws of the Cooperative originally adopted by the Board of Directors on April 2, 1938 and including all amendments and delineations adopted up to November 2, 2017.

Secretary, Fleming-Mason Energy Cooperative, Inc.

**UNITED STATES DEPARTMENT
OF AGRICULTURE
RURAL UTILITIES SERVICE
STATEMENT OF NONDISCRIMINATION**

This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Form, found online at www.ascr.usda.gov/complaint_filing_cust.html or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.