

BYLAWS OF
BUCKSPORT WATER SYSTEM, INC.
HORRY COUNTY, S.C.

ARTICLE I
GENERAL

Section 1. NAME. The name of this corporation shall be BUCKSPORT WATER SYSTEM, INC.

Section 2. LOCATION. The principal offices of this corporation shall be located either within the service area or within the city limits of Conway, South Carolina, at the discretion of the Board of Directors.

Section 3. SEAL. This corporation shall possess a seal. The secretary shall have custody of the seal and shall cause it to be impressed or affixed upon required documents. The seal shall have inscribed the name of the corporation and the year of its organization.

Section 4. FISCAL YEAR. The fiscal year of this corporation shall be the same as the calendar year.

**ARTICLE II
MEMBERSHIP**

Section 1. Any occupant or person, including any body politic and/or corporate, holding property, in fee or by lease, having need of and reasonable accessibility to the services operated by the corporation, may be a member of this corporation by agreeing to purchase water or other services from the corporation and agreeing to be bound by and to comply with all of the other provisions of the Corporation's Articles of Incorporation and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all the same then exist or may thereafter be duly adopted, repealed or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") shall be made in writing on a form provided by the Corporation, PROVIDED that no person otherwise eligible shall be permitted to subscribe for or acquire a membership in the Corporation if the capacity of the Corporation's system is exhausted by the needs of its existing members, PROVIDED further that no person shall hold more than one membership in the corporation regardless of the number of service connections.

The membership application shall be accompanied by the membership fee, as maybe set by the Board, provided for in Article II Section 2, together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction or executed supplemental contract that may be required by the Corporation (hereinafter called "other payments, if any"), which fee and other payments, if any, shall be refunded in the event the application is denied. Any former member of the Corporation may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at a reasonable rate as from time to time established by the Board and in effect when such account first became overdue, compounded annually, together with other payments, if any, renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

Section 2. The membership fee shall be as fixed from time to time by the Board. The membership fee, together with other payments, if any, shall entitle the member to one service connection. A service connection fee or deposit in such amount as shall be prescribed by the

Corporation together with other payments, if any, shall be paid by the member for each additional service connection requested by him.

Section 3. A husband and wife, by jointly executing a membership application, may be accepted into joint membership or, if one of them is already a member, may, upon specifically so requesting in writing, automatically convert such membership into a joint membership. The words "member," "applicant," "person," "his" and "him," as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting;

the vote of either or both shall constitute, respectively, one joint vote: PROVIDED, that if both be present but in disagreement on a vote, each shall cast only one-half (1/2) vote;

notice to, or waiver of notice signed or otherwise effected by, either or both shall constitute, respectively, a joint notice or waiver of notice;

suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership;

each, but not both concurrently, shall be eligible to serve as Director of the Corporation, but only if both meet the qualifications required therefore; and

neither will be permitted to have any additional service connections except through their one joint membership.

Section 4. Upon complying with the requirements set forth in Section 1, any applicant shall automatically become a member on the date of his connection for water service; PROVIDED, the Corporation may deny an application and refuse to furnish service, or discontinue service it has already begun furnishing, if it determines or discovers, that the applicant is not willing or able to satisfy and abide by the Corporation's terms and conditions of membership or that such application should be, or should have been, denied for other good cause, including but not limited to the fact that furnishing service to the applicant would be or is in violation of one or more of the Corporation's service rules and regulations; PROVIDED, any person so denied and/or refused shall have the right to be heard on the matter by the Board upon timely filing a written request therefore.

Section 5. The Corporation shall use reasonable diligence to furnish its members with adequate and dependable water service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned, leased as lessor or lessee, or directly occupied or used by him, shall purchase from the Corporation all water purchased for use on all premises to which water has been furnished by the Corporation pursuant to his membership, unless and except to the extent that the Board may in writing waive such requirement; and shall pay therefore at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of water actually used) established by the Board and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1. Each member shall also pay all other amounts owed by him to the Corporation as and when they become due and payable. When the member has more than one

service connection from the Corporation, any payment by him for service from the Corporation shall be deemed to be allocated and credited on a prorata basis to his outstanding accounts for all such connections, notwithstanding that the Corporation's actual accounting procedures do not reflect such allocation and proration.

Section 6. All amounts paid for water service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article X of these Bylaws.

Section 7. Each member shall cause all premises receiving water service pursuant to his membership to be connected to the Corporation's water lines in accordance with the specifications of the Corporation, DHEC, and any applicable state code or local government ordinances. If the foregoing specifications are variant, the more exacting standards shall prevail. Each member shall be responsible for, and shall hold the Corporation harmless from and indemnify it and its employees, agents and independent contractors from death, injury, loss or damage resulting from any defect in or improper use or maintenance of such premises and all lines and apparatuses connected to or used on the premises. Each member shall make available to the Corporation a suitable site, as determined solely by the Corporation, whereon to place the Corporation's facilities for the furnishing and metering of service and shall permit the Corporation's authorized employees, agents and independent contractors to have access thereto, safely and without interference from any hostile source, for meter reading, bill collecting and inspection, maintenance, replacement, relocation, repair or disconnection of such facilities, at all reasonable times. As part of the consideration for water service, each member shall be the Corporation's bailee of its facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Corporation shall from time to time require in order to protect the Corporation's facilities and their operation and to prevent any interference with or damage to them. If such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall hold harmless and indemnify the Corporation and its employees, agents and independent contractors against death, injury, loss or damage there from resulting, including but not limited to the Corporation's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Corporation shall, however, in accordance with its applicable service rules and regulations, reimburse the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Corporation's billing procedures. In no event shall the responsibility of the Corporation for furnishing service extend beyond the point of delivery.

Section 8. Each member shall, upon being requested so to do by the Corporation, execute and deliver to the Corporation grants of easement or right of way over, across, under and/or on such lands owned, or leased by or to, or mortgaged to, the member, and in accordance with such reasonable terms and conditions, as the Corporation shall require for the furnishing of service to him or other members, or for the construction, operation, maintenance or relocation of the Corporation's water facilities. Each member shall participate in any required program that may be established by the Corporation to enhance water management or more efficiently to utilize or to conserve water, or to conduct water capacity research, and shall comply with all related rates and service rules and regulations.

ARTICLE III MEMBERSHIP SUSPENSION AND TERMINATION

Section 1. Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Corporation's generally publicized applicable rules and regulations, to pay the amounts due the Corporation or to cease any other non-compliance with his membership obligations, a person's membership shall automatically be suspended and he shall be in bad standing; and he shall not during such suspension be entitled to receive service or to cast a vote at any meeting of the members. Payment of all amounts due the Corporation, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations, shall automatically reinstate the membership in good standing, in which event shall thereafter be entitled to receive or continue receiving service from the Corporation and to vote at meetings of its members.

Section 2. Upon the failure of a suspended member to be automatically reinstated to full membership as provided in Section 1, he may, without further notice but only after due hearing before the Board if such is in writing requested by him, be expelled by resolution of the Board. After the expulsion of a member, he may not again become a member except upon new application therefore as provided in Article II Sections 1 and 4 The Board, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with his membership obligations.

Section 3. A member may, in good standing, withdraw or resign from membership upon such generally applicable conditions as the Board shall prescribe and upon either (a) ceasing to (or, with the approval of the Board, resigning his membership in favor of a new applicant who also shall) own, lease as lessor or lessee, or directly occupy or use all premises being furnished water service pursuant to his membership, or (b) except when the Board specifically waives such condition, abandoning totally and permanently the use of purchased water service on such premises.

Section 4. The death of an individual natural person shall automatically terminate his non-joint membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership; PROVIDED, upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own, or to lease as lessor or lessee, or directly to occupy or use the premises being furnished service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; BUT PROVIDED FURTHER, neither a withdrawing partner nor his estate shall be released from any debts then due the Corporation.

Section 5. Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his service security deposit, if any, theretofore paid the Corporation, less any amounts due the Corporation; but neither he nor his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Corporation. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 1 and 2, such shall not, unless the Board shall expressly so resolve, constitute a release of such person from his membership obligations so as to entitle him to purchase from any other person any water service for use at the premises to which such Water service has theretofore been furnished by the Corporation pursuant to his membership.

Section 6. Upon the death of either of the spouses of a joint membership or their legal separation or divorce, such membership shall continue to be held solely by the survivor or by the separated or divorced one, whichever be the case, who continues directly to occupy or use the premises covered by such membership, if such be the case, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, the estate of the deceased spouse or of the other separated or divorced spouse shall not be released from any debts due the Corporation.

Section 7. Upon the termination of a person's membership for any reason, the Board, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Corporation ceased furnishing water service to such person. Upon discovery that the Corporation has been furnishing water service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Corporation approves, membership retroactively to the date on which such person first began receiving such service, in which event the Corporation, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE IV-A SERVICE AREA

The service area shall be as set forth in the articles of incorporation and any amendments thereto.

ARTICLE IV-B DIVISION OF SERVICE AREA

The service area shall be divided into five (5) districts as follows:

DISTRICT NO. 1: Is bound on the north by an imaginary line which starts at a point in the centerline of U.S. Highway No. 701 which is 300 feet north of the junction of Highway 914 and Highway No. 701 and runs due east to the Waccamaw River; on the east by Waccamaw River; on the south by Bull Creek and Big Pee Dee River; on the west by Highway 701.

DISTRICT NO. 2: Is bound on the north by the city limits of Conway; east by the Waccamaw River; south by an imaginary line starting at a point 300 feet north of the junction of Highways 914 and 701 on Highway 701 and running due east along the northern line of District No. 1 to the Waccamaw River; west by U.S. Highway 701.

DISTRICT NO. 3: North by city limits of Conway; east by Highway 701; south by the Little and Big Pee Dee Rivers; west by a line extending from the intersection of Little Pee Dee River and Big Pee Dee River a straight line to a point at the intersection of Highway 79 with Highway 24; thence running Highway 79 to its intersection with 109, then running highway 109 to its intersection with 29, then running Highway 29 to the City of Conway service area.

DISTRICT NO. 4: North by the service area of Conway; east by Highways 29 and 109 and 79 and the imaginary line to the intersection of the Little Pee Dee River and Big Pee Dee River as described in District No. 3 as the western margin; South by Little Pee Dee River; west by Highway 378 to the service area of City of Conway.

DISTRICT NO. 5: On the North by Highway #501, and service area boundaries previously established with Grand Strand Water & Sewer Authority and City of Conway; on the East by Highway

378 and service area boundary with the City of Conway; on the South by the Little Pee Dee River and the service area boundary with Grand Strand Water & Sewer Authority; on the West by service area boundary of Grand Strand Water & Sewer Authority. For boundary with Grand Strand Water & Sewer Authority see Water Service Area Agreement dated September 30, 1992, and filed October 21, 1992, in Deed Book 1586 at page 93, R.M.C. Office for Horry County.

ARTICLE V MEETINGS OF MEMBERS

Section 1. The majority of the members present and voting at a meeting shall constitute a quorum.

Section 2. The annual meeting of the members of the corporation shall be held at the principal office of the corporation or such other place as may be designated, on the first corporation or such other place as may be designated, on the first Tuesday of March of each year, if not a legal holiday, or if a legal holiday, on the next business day following. The notice of each annual meeting shall be mailed to each member at last known address at least ten (10) days before said annual meeting; provided no notice shall be required to any member who waived notice of such meeting in writing. During such annual meeting in 2001, one director from Districts No. 1 through 5 shall be elected to serve a term of two years, if a sitting directors term does not expire in 2001 the directors of that district will draw lots to determine the vacancy being filled. The remaining directors shall be elected in 2002 to serve a term of two (2) years. Each director, as elected, shall continue to serve until such time as his successor has been duly elected and qualified at the annual meeting. During such annual meeting there shall also be transacted such other business as may be properly brought before it. At such annual meeting the President and Secretary-Treasurer shall each make a detailed report of the business affairs of the corporation covering the preceding year.

Section 3. The Corporation will have a nominating committee composed as follows:

(1) A Nominating Committee consisting of five (5) members, one member from each district, shall be named at the November meeting of the Board or prior thereto of each year. Each Nominating Committee member shall serve for one (1) year or until his successor has been duly named and assumes his duties. Members of the Nominating Committee must reside in the district for which they have been elected.

(2) Amended on March 3, 2015 at the Bucksport Water System annual meeting. "The purpose and duty of the Nominating Committee is to recommend to the membership the names of eligible members to serve as directors of the corporation. The association members at the annual meeting shall elect from those persons recommended by the nominating committee the director's necessary to fill the vacancies created by expiration of term or any other cause. The committee shall name one or more nominees for each district from which Directors are to be elected. In addition to the foregoing, a member in good standings with the water utility may also be added to the ballot once they present Bucksport Water System with a petition with ten signatures of other members. The petition will be provided by Bucksport Water System at their corporate office. The petition will be available after the nominations are posted in our business office and on our website. Petitions must be presented to the corporate office prior to December 31st of the current year in which the nominations are announced. The secretary shall post such nomination(s) in the same manner and at the same place where the list of nominations made by the committee is posted. The Secretary shall be responsible for mailing with the notice of meeting, or separately, but at least ten (10) days before the date of the meeting, a statement of the names of all nominee(s) for each Director district for which a Director must be elected, distinguishing clearly those nominated by the committee and those nominated by petition, if any. Additional nominations from the floor shall not be allowed."

(3) The current directors from each district shall at least 90 days before the annual meeting

appoint from their respective districts one member to the Nominating Committee. In the event two directors for a specific district cannot agree on who shall represent their district on the Nominating Committee, then all directors shall name and appoint by majority vote a member to serve from that district.

(4) Amended March 3, 2015 at the Bucksport Water System annual meeting."The Nominating Committee shall submit to the membership for election as directors, the names of one or more persons for each vacancy to be filled. PROVIDED, if more than two candidates run from a District the candidate receiving a plurality of the votes cast shall serve as Director for a term of two (2) years.

(5) Nothing herein contained shall prevent the Nominating Committee from nominating the outgoing current director. Directors from the various districts may succeed themselves in office.

Section 4. No member shall be entitled to more than one vote at meetings of the members regardless of water connections in their name. Every member upon becoming a member of this corporation agrees to sign such agreements for the purchase of services as may from time to time be provided and required by the corporation.

Section 5. At all meetings of the members each member entitled to vote in accordance with the terms and provisions of the articles of incorporation and these by-laws shall be entitled to one vote, in person or by proxy.

Section 6. At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the secretary of the corporation at least 48 hours prior to the commencement of any meeting; and, if not so filed, it will be invalid and the holder thereof shall not be entitled to vote said proxy. Such proxy when given by a member shall be irrevocable and the member giving the same shall not be allowed to register to vote or vote at any meeting unless said member cancels said proxy either in writing or in person at least 24 hours before the commencement of the meeting for which the proxy was given. Proxies shall be given only for specific meetings and will be null and void after said meeting.

Section 7. Special meetings of the members may be called at any time by the action of the Board of Directors upon ten (10) days written notice to each member. Members may waive such notice.

Section 8. A special meeting of the members may be called by filing with the Corporation a petition setting out the purpose of the meeting signed by not less than ten (10%) percent of the then total members of the Corporation. It shall thereafter be the duty of the Board to set a date and time for the meeting within 60 days of receipt of the notice; PROVIDED HOWEVER if the annual meeting is within 90 days, the Board may choose to address the purpose of the petition at the annual meeting. After the Board sets the meeting date the Secretary will cause notice of such meeting to be given to the members by mail not less than 10 days prior to the date and time set by the Board. Should the Board fail to act within the Specified time the Member Petitioners may set the date, time and place for the meeting within Horry County and send the appropriate notice to members. All business at special meetings shall be limited to the purposes set forth in the notice.

ARTICLE VI DIRECTOR AND OFFICERS

Section 1. The business and affairs of the Corporation shall be managed by a Board of ten (10) Directors, two from each District.

Section 2. No person shall be eligible to become or remain a Director of the Corporation who:
(a) while serving on the Board or during the five (5) years preceding his nomination thereto shall have

been finally adjudged to be guilty of a felony; or

(b) is, and if elected and seated as a Director will continue to be, a close relative of an incumbent Director of the Corporation; or

(c) has not continuously been, for at least one (1) year prior to his nomination, or who ceases after his election to be, a member in good standing of the Corporation, receiving service there from at his primary residential abode in the District from which he is elected; PROVIDED, notwithstanding that he may not receive service from the Corporation at his primary residential abode, a natural person who is the chief operating executive of any member which is not a natural person, such as a corporation, church or other non-natural person entity, or his designee, shall be so eligible from the Director District in which such member is located if he or such designee (A) is in substantially permanent occupancy, direction or use of such member's premises and (B) is a permanent and year-round resident within the outer boundaries of, or in close proximity to, an area served by the Corporation; PROVIDED, no more than one (1) such person may serve on the Board at the same time. In the event two (2) or more such persons are candidates for Directorships from two (2) or more Director Districts in the same annual meeting election and any two (2) or more such candidates would otherwise be elected for their respective District directorships, the one receiving the highest number of votes shall be the only one elected to the Board.

No person shall be eligible to become or remain a Director of, or to hold any other position of trust in, the Corporation who is not at least eighteen (18) years old or is in any way employed by or financially interested in a substantially competing enterprise, or a business selling water or water system supplies to the Corporation, or a business engaged substantially in selling water apparatuses, to the members of the Corporation.

Notwithstanding the restrictive provisions of this Section based upon close relative relationships, no incumbent director shall lose eligibility to remain a Director or to be re-elected a Director if, during his incumbency, he becomes a close relative of another incumbent Director because of a marriage or an adoption to which he was not a party.

Upon establishment of the facts that a nominee for Director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the Board to disqualify him. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Corporation lacks eligibility under this Section, it shall be the duty of the Board to withhold such position from such person, or to cause him to be removed there from, as the case may be. Also, the office of a Director shall automatically become vacant if he misses as many as three (3) regular meetings of the Board during any twelve (12) consecutive meetings, unless the remaining Directors unanimously resolve that (1) there was good cause for such absences and (2) such cause will not likely result in such absences during the next ensuing twelve (12) consecutive regular Board meetings. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the Directors have a personal interest in conflict with that of the Corporation.

Section 4. At each annual meeting of the members, Directors shall be elected by written or electronically registered ballots by the members, and, except as provided in the proviso of Article VI Section 2 of these Bylaws, from among natural persons who are members. Whenever there are two or more candidates for the same directorship, the one receiving the highest number of votes shall win. Drawing by lot shall resolve, where necessary, any tie votes.

Section 5. The Board of Directors shall immediately, following the annual members' meeting, elect a President and Vice President from among themselves and a Secretary and Treasurer (or Secretary-Treasurer) who need not be members of the Board of Directors. Each officer shall hold office until the next annual members' meeting and until the election by the Board and qualification of his successor unless sooner terminated by death, resignation or for cause.

If a director's term is terminated for any reason other than normal expiration, the remaining directors shall appoint by majority vote a qualified person to fill such vacancy for the unexpired portion of the term of the vacating director. The person so elected must reside within the district where the vacancy occurred.

Section 6. Directors shall, as determined by resolution of the Board, receive, on a per diem basis, a fixed fee, which may include insurance benefits, for attending meetings of the Board and, when such is approved by the Board, for the performance of their duties otherwise. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in performing their duties. A Director who is also an officer of the Board and who as such officer performs regular or periodic duties of a substantial nature for the Corporation in its fiscal affairs may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board.

Section 8. The Corporation shall indemnify and hold harmless its past and present Directors and officers, including the General Manager and may but shall not be obligated to so indemnify and hold harmless one or more of its past and present agents and other employees against liability and related costs, including reasonable attorneys' fees, because of any act or omission in connection with their relationship to the Corporation in such capacities, to the maximum extent allowable by law, including, and supplementary and subject to, but not limited to, S.C. Code Ann. Section 33-36-630; and may purchase insurance to cover such indemnification.

Section 9. No member of the Board of Directors shall hold dual offices or be both an employee of the corporation and a director at the same time. For the purposes of this section "Dual Offices" shall be as defined for public officials of South Carolina.

ARTICLE VII DUTIES OF DIRECTORS

Section 1. The Board of Directors, subject to restrictions of law, the articles of incorporation, or these bylaws shall exercise all of the powers of the corporation, and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the board of directors shall have, and are hereby given, full power and authority, upon approval of the members of matters as hereinafter set forth:

- a. To pass upon the qualifications of members.
- b. To select and appoint all officers, agents, and employees and removal of the same for just cause, fix their compensation and pay for services, and prescribe their duties as may not be inconsistent with these bylaws.
- c. To borrow from and source, money, goods, or services and to make and issue notes and other negotiable and transferable instruments and to do every act necessary to effectuate the same.
- d. To prescribe, adopt, and amend, from time to time such equitable uniform rules and regulations as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the corporation and the guidance and control of its officers and employees; and to prescribe adequate penalties for breach thereof.
- e. To order an annual audit of the books and accounts by a competent auditor or accountant. The report prepared by such person shall be submitted to the members at the annual meeting.
- f. To fix charges to be paid, the time of payment, and manner of collection from each member for services rendered to him.
- g. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the corporation to give adequate bonds, the cost thereof to be paid by the corporation, and it shall be mandatory upon the directors to so require.

h. To select one or more banks or savings and loan association, to act as depositories of the fund of the corporation and to determine the manner of receiving, depositing, and disbursing the funds of the corporation and the form of checks and the person or persons by whom the same shall be signed with the power to change such banks or savings and loan associations and the person or persons signing such checks and the form thereof at will, except that no bank or savings and loan association may be so designated unless such deposits are protected by an agency of the United States of America, such as the Federal Deposit Insurance Corporation or similar agency.

i. To levy assessments against the members of the corporation and to enforce the collection of such assessments in the manner provided for enforcement of collection of monthly charges in Article VII, Section 4, hereto, by the forfeiture of membership when a member fails to pay such assessments within the time prescribed for payment, provided that prior to forfeiture the board must give the member at least thirty (30) days written notice at the last address of the member of the books of the corporation of its intention to forfeit his membership if the assessment is not paid by a specified date.

Section 4. The Board of Directors shall, prior to the beginning of each calendar year, determine whether the monthly rates charged are adequate to support the corporation's budget for the following year. The flat minimum monthly rate as set up in the rate schedule for the year, will be payable irrespective of whether any service is used by a member during any month. The Board of Directors shall fix the date for the payment of such charges and the penalties for late payment, and shall notify each member or cause each member to be notified of the amount of such charges and dates for the payment thereof.

ARTICLE VIII DUTIES OF OFFICERS

Section 1. The President shall preside at all meetings of the corporation and of the Board of Directors; shall call special meetings of the Board; shall perform such other duties as may be prescribed in these By-Laws or assigned to him by the Board of Directors; and shall sign all other papers as he may be authorized or directed to sign by the Board of Directors. The President shall not be entitled to a vote on any matter during Directors' meetings unless for the purpose of breaking a tie vote and in such event, he shall be entitled to a vote as other Directors.

Section 2. The Vice-President shall act as side to the President and shall perform the duties of the President in the absence or inability of that officer to serve.

Section 3. The Secretary shall record the Minutes of all meetings of the corporation and of the Board of Directors. He, or his designee, shall sign such other papers pertaining to the corporation as he may be authorized or directed to do by the Board. He shall serve all notices required by law and by these By-Laws and shall make a full report of all matters pertaining to his office to the members at the annual meeting. He shall be responsible for the Corporate Seal and records of the corporation; he shall countersign and have the corporate Seal affixed to all papers requiring same; he shall see that a proper membership record showing the name, date of membership, surrender, cancellation and/or forfeiture is kept; he shall perform such duties as may be delegated to him including the turnover to his successor of all books and other property belonging to the corporation that he may have in his possession; provided, however, the Corporate Seal, the corporate books, the financial records, and all other records of the corporation shall be maintained and kept at the corporate office.

Section 4. DUTIES OF THE TREASURER. The Treasurer shall be responsible for all monies of the corporation; shall keep an accurate record of receipts and expenditures; and shall pay out funds as authorized by the corporation. The Treasurer shall present a financial statement every meeting of the Board of Directors and at other times when requested by the Board of Directors and shall make a

full report at the annual meeting. The Treasurer shall furnish the corporation a fidelity bond in an amount equal to the largest sum of funds in his possession at any one time.

Section 5. The office and Secretary and Treasurer may be one and the same and be known as Secretary-Treasurer.

Section 6. All officers shall perform the duties prescribed in the parliamentary authority in addition to those outline in these By-Laws and those assigned from time to time. The officers shall deliver to their successors all official material, records, and property within ten (10) days following the meeting at which they are elected and qualified.

ARTICLE IX MEETINGS OF THE BOARD

SECTION 1. A regular meeting of the Board shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board shall also be held monthly at such date, time and place in Horry County, South Carolina, as the Board may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution; PROVIDED, any Director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next regular meeting of the Board; AND PROVIDED FURTHER, if a policy therefore is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all Directors.

SECTION 2. A special meeting of the Board may be called by the Board, by the President or by any four (4) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 4. The Board, the President, or the Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in South Carolina within which the Corporation, unless all Directors consent to its being held in some other place in South Carolina or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 4, may also be held via telephone conference call, without regard to the actual location of the Director at the time of such a telephone conference meeting, if all the Directors consent thereto.

SECTION 3. If no other Director objects, a Director may attend and participate in a Board meeting by being continuously connected thereto by telephone or other telecommunications device in such a manner that he may speak to and be heard by such meeting and all other Directors there present may hear and speak to him.

SECTION 4. Written notice of the date, time, place (or telephone conference call) and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any Director in the case of a meeting whose date, time and place have already been fixed by Board resolution. 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 Corporation's records, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such

meeting unless such attendance shall be for the express purpose of objecting in writing to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened, or on some other lawful ground.

SECTION 5. The presence in person of a majority of the Directors in office shall be required for the transaction of business and the affirmative votes of a majority of the Directors present and voting shall be required for any action to be taken; PROVIDED, a Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of that matter, be counted in determining the number of Directors in office or present; AND PROVIDED FURTHER, if less than a quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time, but shall cause all Directors to be duly and timely notified of the date, time and place of such adjourned meeting.

ARTICLE X CONDUCT OF AFFAIRS

Section 1. ACCOUNTS. The financial accounts of the corporation will be conducted on a non-profit basis. The corporation will maintain a revenue fund account divided into four categories as follows:

Debt Service Account
Operation and Maintenance Account
Reserve Account
Patronage Capital Account

SECTION 2. Interest or Dividends on Capital Prohibited. The corporation 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 corporation on any capital furnished by its patrons.

SECTION 3. Patronage Capital in Connection with Furnishing Water Service. In the furnishing of water services, the Corporation's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a nonprofit basis, the Corporation is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of water service in excess of operating costs and expenses properly chargeable against the furnishing of service. All such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the patrons as capital. The Corporation is obligated to pay 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 Corporation 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; and, the Corporation shall, within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account; PROVIDED, individual notices of such amounts furnished by each patron shall not be required if the Corporation notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him. 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 Corporation corresponding amounts for capital. All other amounts received by the Corporation 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) future construction projects designated by the Board if the projects are scheduled for completion within 18 months (c) to the

extent not needed for that purposes of (a) and (b), allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided. In the event of dissolution or liquidation of the corporation, after all outstanding indebtedness of the Corporation 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; PROVIDED, insofar as gains may at that time be realized from the sale of an appreciated asset, such gains shall be donated to a municipality, county, or similar not-for-profit corporation for providing water facilities or the protection of public non-profit water facilities within Horry County. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Notwithstanding any other provisions of these Bylaws, the Board shall determine the method of allocation, basis, priority and order of retirement, if any, for all amounts furnished as patronage capital.

Capital credited to the accounts of each patron shall be assignable only on the books of the Corporation pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all of a part of such patron's premises served by the corporation, unless the Board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these Bylaws, the Board shall, at its discretion, have the power at any time upon the death of any patron who was a natural person whether the patron's membership be individually or jointly held with patron's spouse (or, if as so provided for the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representatives of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board, acting under policies of general application, and such legal representatives shall agree upon; PROVIDED, the financial condition of the Corporation will not be impaired thereby. The Corporation, before retiring any capital credit to any patron's account, shall deduct there from any amount owing and overdue by such patron to the Corporation, together with interest thereon at a reasonable rate as from time to time established by the Board in effect when such amount became overdue, compounded annually. The patrons of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Corporation and each patron, and both the Corporation 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 Corporation by posting in a conspicuous place in the Corporation's offices.

SECTION 4. Patronage Refunds in Connection with Furnishing Other Services. In the event the corporation should engage in the business of furnishing goods or services other than water service, the Board shall elect at the time of approving the service to treat the activity by assignment of patronage capital or as an unrelated activity under the Internal Revenue Code. If Patronage Allocation is selected, then all amounts received and receivable therefore which are in excess of costs and expenses properly chargeable thereto shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time, in such manner and in such order of priority as the Board shall determine.

Section 5. When a payment of patronage capital is declared and unclaimed by the owner or his legal representative for a period of 5 years from the date the corporation attempts payment and the owner or his legal representative can not be found after a diligent search, including letters and telephone inquiry, and the owner has not provided in writing an alternate designee, it shall be deemed

that such unclaimed amount is added donated capital, after which the following shall be done: A listing of names and last known addresses of such owners will be posted in the offices of the Corporation for thirty days at the close of the books each year. At the expiration of the 30 days if an account owner or his representative has not claimed the monies due such amounts the members agree that such donated capital should be credited to the general fund of the Corporation for the current year and used for such operational expenses or system projects as maybe designated by the Board; in furtherance of the cooperative principle that patronage funds are donated capital and the entire operations is not for profit.

ARTICLE XI DISSOLUTION

In the event of dissolution, or final liquidation, the residual assets will be turned over to one or more organizations which are organized and operate for similar purpose which themselves are exempt organizations as described in Section 501 (c) (12) of the Internal Revenue Code or 1954, or the corresponding provisions of any prior or future Internal revenue Code, or to the Federal, State, or local government for exclusively public purposes.

ARTICLE XII AMENDMENTS

Section 1. Amendments of the Articles of Incorporation may be adopted by a vote of a majority of the members present at any special or regular meeting of the corporation if the members have been given at least ten (10) days written notice of said meeting and the notice has contained a copy of the proposed amendment or amendments.

Section 2. Amendments of the Articles of may be amended by the Board of Directors by a 2/3 vote when necessary to conform to state or federal laws governing the operations of the corporation or its services; PROVIDED HOWEVER, the Board may not Amend the Articles of Incorporations to conform to permissive powers granted in state or federal laws or to undertake services not already provided by the Corporation.

Section 3. Amendments of these bylaws may be adopted by a vote of a majority of the members present at any special or regular meeting of the corporation if the members have been given at least ten (10) days written notice of said meeting and the notice has contained a copy of the proposed amendment or amendments.

Section 4. Amendments to these by laws maybe made by the Board of Directors by a two-thirds vote for the purposes set forth in S.C. Code of Laws 33-36-300, or amendments thereto.

Section 5. For so long as the corporation is indebted for a loan or loans made to them for the United States of America through the Farmers Home Administration, the bylaws shall not be altered, amended, or replaced without the prior consent of the State Director of the Farmers Home Administration for the State of South Carolina.