

BYLAWS
ARTICLE I
ESTABLISHMENT

Section 1. Purpose. The Water System is organized and shall be operated for the purposes set forth in Act No. 82 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1983, and Act No. 74 of 1997, and Act No. 113 of 1999, and as otherwise amended, including but not limited to the planning, financing acquisition and location of water supply and water distribution systems to insure for an adequate, reliable and economical supply of water to the persons and property served by the members of the Water System, and such other purposes as are or may be permitted by law.

Section 2. Name and Seal. The name of the Water System shall be "Anderson Regional Joint Water System." The Water System shall have a corporate seal in such form as the Commission approves by resolution.

Section 3. Principal Office. The Water System shall have its principal office and such other offices as the Commission deems appropriate, at such location or locations as the Commission determines by resolution.

ARTICLE II

MEMBERSHIP; PREFERENTIAL
RIGHTS; WITHDRAWAL AND DISSOLUTION

Section 1. Original Members. The Water System shall have such original members as subscribe to the application for a charter establishing the Water System and to the Bylaws of the Water System.

Section 2. Additional Members. The Agency may admit such other municipalities (as defined in the statute) to membership as (a) apply for membership, (b) otherwise meet the same eligibility requirements for membership as the original members of the Agency, and (c) are approved as members by the unanimous consent of the then existing members as evidenced by resolutions of their respective governing bodies. Once admitted, additional members shall have the same rights and duties as original members. Notice of admission of additional members shall be filed with the Secretary of State of South Carolina.

Section 3. Withdrawal. Any member of the Water System may withdraw from membership by resolution of its governing body provided, that all contractual rights acquired and contractual obligations incurred by a municipality while such municipality was a member shall remain in full force and effect. Any municipality which has withdrawn from the Water System may be readmitted as a member upon compliance with the admissions requirements for additional members under Section 2 of this Article.

Section 4. Dissolution. Whenever the Commissioners of the Water System and the governing bodies of each of its members by resolution or ordinance determine that the purposes for which the Water System was formed have been substantially fulfilled and that all bonds theretofore issued and all other obligations theretofore incurred by the Water System have been fully paid or satisfied, the Commission and governing bodies may declare the Water System to be dissolved. Upon dissolution, the Water System shall file copies of such resolutions and ordinances of dissolution with the Secretary of State of South Carolina.

ARTICLE III

COMMISSIONERS

Section 1. Power; Directors; Alternate Directors. The powers of the Water System as provided by law shall be exercised by a Commission consisting of one (1) Commissioner from each of the members of the Water System. Each Commissioner shall be appointed by resolution of the governing body of the member which he represents. In addition, each member may appoint by resolution of its governing body, an alternate representative who shall perform the duties of the member's Commissioner in the absence of the member's Commissioner. Each Commissioner and Alternate Commissioner shall be recognized as such upon delivery to the Commission of a certified copy of a resolution of the member's governing body appointing such Commissioner or Alternate Commissioner. Each such Commissioner and Alternate Commissioner shall so serve until the Commission has received a certified copy of a resolution of the member's governing body removing such Commissioner or Alternate Commissioner or appointing a successor.

Section 2. Regular Meetings; Notice. Regular meetings of the Commission shall be held on the second Tuesday of the first month in each quarter of each fiscal year at such time and place as the Commission determines from time to time or, in lieu thereof, on such other days, times and places as the Commission determines at a regular or special meeting; provided, that at least one (1) regular meeting shall be held during each calendar quarter. Written notice of each regular meeting shall be given to each Commissioner at least three (3) days prior to the date of such regular meeting, specifying the date, time and place of the meeting. If mailed or transmitted by telegraph, telecopier, telex or the like, notice shall be deemed given when transmitted. The public shall be informed of meetings as prescribed by the S.C. Freedom of Information Act.

Section 3. Special Meetings Notice. Special meetings of the Commission may be called by the Chairman of the Commission or by any three (3) or more Commissioners. Notice of each special meeting of the Commissioners shall be given by the Chairman or the Commissioners calling the meeting, as the case may be, at least three (3) days prior to the date of the special meeting, specifying the date, time and place of the meeting. Such notice shall be deemed given when transmitted, as provided in Section 2 of this Article with respect to notice of regular meetings. Emergency meetings shall be noticed as early as practical.

Section 4. Waiver of Notice. Any Commissioner may waive the requirements of notice of a meeting or any irregularities in any notice by an instrument in writing executed before or after the meeting or by attendance at the meeting. Attendance at a meeting for the sole purpose of objecting to the form or manner of notice shall not constitute a waiver of notice.

Section 5. Agenda. The Chairman shall prepare, or cause to be prepared, and deliver, or cause to be delivered, to each Commissioner, at least three (3) days prior to each meeting, an agenda of matters to be considered and acted upon at such meeting; provided, that if a meeting is called upon less than three (3) days' notice, the agenda shall be prepared and delivered as soon as practicable. Any Commissioner may notify the Chairman of additional matters to be considered and acted upon at such meeting and the Chairman shall include such matters in the agenda. Matters not specified in the agenda so prepared and delivered may nonetheless be considered and acted upon with the consent at the meeting of Commissioners having two-thirds (2/3) of the votes entitled to be cast at the meeting. Agendas shall be deemed delivered when transmitted.

Section 6. Adjournment. The Commission may adjourn any regular, adjourned regular, special or adjourned special meeting to a time and place specified in the resolution of adjournment. Commissioners constituting less than a quorum may also adjourn, by a vote of a majority of their number present. The Chairman, or the Vice Chairman in the Chairman's absence, or any Commissioner designated by Commissioners present in the Chairman's and Vice Chairman's absence, shall prepare and give notice of the adjournment to each Commissioner, specifying the date, time and place when and where the adjourned meeting will reconvene, which notice shall be written if practicable.

Section 7. Quorum. A majority in number of the Commissioners shall constitute a quorum.

Section 8. Voting. Except as otherwise provided in these Bylaws, approval of any action or resolution shall require, with a quorum present, the affirmative vote of the holders of a majority of the votes entitled to be cast by Commissioners present. Except as provided otherwise in these Bylaws, each Commissioner shall be entitled to cast one (1) vote with respect to any matter to be acted upon by the Commission; in addition, each Commissioner shall have one vote for each unit of flow measured by the immediate prior year's water purchase. For these purposes, a unit of flow shall be determined by dividing the total flow of all Commissioners by 1000. Voting units shall be prorated, based on the above in February of each year, but total voting units shall not exceed 1000 units plus one vote for each Commissioner. For example, if there are twelve (12) Commissioners, there would be 1012 total votes. Voting by proxy shall not be permitted in any case.

Section 9. Procedures. The following procedural rules apply to meetings of the Water System:

- a. General conduct. The presiding officer shall endeavor to conduct the meeting in an orderly, businesslike manner in substantially the order and manner provided on the agenda. Commissioners should have a full and equal opportunity to express respective views prior to action being taken. The presiding officer shall make all determinations of procedure, subject to appeal by any Commissioner. If properly seconded appeals shall be determined by a majority of the Commissioners present.

- b. Motions. A motion is a formal statement of a proposal or question to the Commission for consideration or action. If a motion is properly made, the presiding officer shall call for a second. No further consideration is made to motions that fail to obtain a second. A properly made and seconded motion cannot be withdrawn or amended by the maker without consent of the second. A motion may be made at any time during consideration of the matter. Subsequent parliamentary motions may be made.
- c. Precedence of motions: When a main motion is pending, no other motion shall be entertained except the following which shall have precedence, one over the other, in the following order: 1. Adjourn; 2. Recess; 3. Lay on the Table (“Table”); 4. Order the previous question (“Calling the question”); 5. Limit or extend debate; 6. Refer to committee or staff; 7. Continue (defer until later time); 8. Amend; 9. Main Motion.
- d. Motions not in order. The following motions shall be ruled out of order and not properly made:
 - Motion to revive a previously defeated motion or to revise a motion previously approved unless a motion to reconsider is first made and approved.
 - A motion made when the previous question has been ordered (Called question).
 - A motion made while a vote is being taken.
 - A motion made as an interruption of a speaking Commissioner.

Section 10. Freedom of Information; Public Access. Meetings of the Commission shall be conducted in the manner required and permitted by Sections 30-4-10 through 30-4-110, Code of Laws of South Carolina, 1976, any amendments thereto, and any other laws governing the conduct of such meetings. As provided in such laws, all meetings of the Commission shall be open to the public except insofar as the Commission may meet in executive session and elects to do so. The records of the Water System, except as such laws or any other laws or provisions of the United States Constitution or the South Carolina Constitution otherwise permit, shall be open for inspection and copying during regular business hours. The Water System may charge a reasonable fee for the copying of such records.

Section 11. Compensation; Expenses. No commissioner shall receive any compensation solely for the performance of duties as a Commissioner, but each Commissioner may be paid per diem, mileage, and subsistence expenses, as provided by law for state boards, committees, and commissions, incurred while engaged in the performance of such duties.

ARTICLE IV OFFICERS

Section 1. Designation. The officers of the Water System shall be a Chairman of the Commission, the immediate Past Chair, a Vice Chairman, a Secretary, and such other officers as the Commission deems necessary or appropriate.

Section 2. Election; Tenure. The officers of the Water System, with the exception of the Past Chair, shall be elected annually by the Commissioners, each having one vote, at the first regular meeting in each fiscal year and shall serve until their successors are elected and qualified or they sooner resign from office, are removed or die. Any officer may be removed with or without cause by a majority vote of the Commission at any regular or special meeting. The Past Chair serves until his (her) successor is no longer the Chairman of the Water System.

Section 3. Chairman. The Chairman of the Commissioners shall be the chief executive officer of the Water System. The Chairman shall preside at all meetings of the Commission and shall execute all deeds, mortgages, bonds, contracts and other instruments which the Commission has authorized to be executed on behalf of the Water System, either alone or together with any other officer or agent of the Water System as the Commission prescribes, except as the Commission may otherwise delegate authority for the execution thereof. The Chairman shall perform such other duties as are incidental to the office of the Chairman and as may be prescribed by the Commission. The Chairman shall at all times be a Commissioner and shall be deemed to have resigned upon his removal as a Director or appointment of his successor as a Commissioner by resolution of the governing body of the member which he represented. In the event of such removal or appointment of a successor, the office of Chairman shall be deemed vacant and an election shall be held at the next regular or special meeting to fill such vacancy.

Section 4. Vice Chairman. In the absence of the Chairman or in the event of the Chairman's inability or refusal to act for any reason or if the office of Chairman is vacant, the Vice Chairman shall perform the duties of the Chairman. In addition, the Vice Chairman shall perform such other duties as may be prescribed by the Commission. The Vice Chairman shall be at all times be a Commissioner and shall be subject to the same provisions as to eligibility and tenure as provided in Section 3 of this Article with respect to the Chairman.

Section 5. Secretary The Secretary of the Water System shall keep or cause to be kept the minutes of all the meetings of the Commission and all other records and the official seal of the Water System; shall execute such deeds, mortgages, bonds, contracts and other instruments as the Commission has authorized to be executed by the Secretary; shall transmit all notices of meetings and agendas for meetings as directed by the Chairman, Vice Chairman, or Commissioner or Commissioners as the case may be; shall maintain a register of the postal addresses of the Commissioners; and shall keep or cause to be kept complete and detailed records of all transactions of the Water System.

ARTICLE V MANAGEMENT

Section 1. Executive Director. The Commission shall appoint and employ an Executive Director who shall be the Chief Administrative and Operations Officer of the Water System. The Executive Director shall not be a Commissioner and shall at all times report to and take direction from the Commission. The Commissioners may authorize the execution on behalf of the Water System an employment contract with any person to serve as Executive Director; provided, however, that nothing in any such employment contract shall be construed as limiting in any way the right of the Commission to terminate the Executive Director's employment with or without cause. The employment contract shall

provide the scope of responsibility of the Executive Director. The Executive Director of the Water System shall be responsible for all funds and other property of the Water System, except as may be provided in any resolution of the Commission or any trust agreement or similar instrument securing bonds or other obligations of the Water System; shall receive and give receipts for all funds or other property paid, given or granted to the Water System; shall deposit funds and other property of the Water System in depositories selected by the Commission; shall be empowered to employ, promote and terminate staff subject to such fiscal and other guidelines and policies as the Commission may determine; shall be in charge of and responsible for the management of the day-to-day operations of the treatment and transmission portions of the Water System; shall prepare proposed annual System budgets and otherwise assist in the budgetary processes of the Water System as provided in Section 2 of Article XI of these Bylaws; and shall perform such other duties as may be prescribed by the Commissioners. The Executive Director shall arrange a bond for the due performance of his duties in such amount and upon such terms and conditions as the Commission requires.

ARTICLE VI

EXECUTIVE COMMITTEE

Section No. 1. Designation. The Commission shall establish an Executive Committee. It shall consist of the Chairman, Vice Chairman, Secretary, Past Chairman and two at-large members appointed by the Commission. An appointee shall serve for a one year term but may be reappointed.

Section No. 2. Chairmanship. The Executive Committee shall be chaired by the Commission Chairman. It shall meet quarterly on dates determined by the committee or for special meetings called by its chairman, or at the request of the Executive Director.

A majority of the membership of the Executive Committee shall constitute a quorum. Each member shall have one vote on any matter before this committee.

Section No. 3. Duties. The duties of the Committee are:

- a. to timely review the annual audit
- b. to timely review the proposed annual budget
- c. to study the need for expansions of services
- d. to timely review any proposed increase or decrease in rates
- e. to aid communications and cooperation between members and non-members
- f. to consider any other matter referred to the Executive Committee by the Commission

The Executive Committee, after any review or study, shall make its recommendations to the Commission within a reasonable time so that the Commission may consider the Committee's recommendations. No action or recommendation of the Executive Committee shall be binding upon the Commission unless approved by the Commission and is in accordance with the By-Laws and any applicable laws or regulations.

ARTICLE VII

COMMITTEES

Section 1. Other Committees. The Commission may establish such other committees for such other purposes as it deems appropriate from time to time. All such committees shall consist of Commissioners or Alternate Commissioners elected by the Commission; provided, however, that each such committee may have the assistance of such consultants and others as the Commission determines or authorizes such committee to determine. Each committee shall exist only so long as is necessary to accomplish the purpose for which it is established. The Commission shall review the status of all committees existing as of the end of each year and determine whether or not such committees, or any of them are to continue to exist and, if so, for what purposes and periods of time.

Section 2. Chairman of Committees. The Commission may appoint the Chairman of committees or may authorize such committees to appoint a Chairman of the committee.

Section 3. Committee Vacancies. The Commission may, but shall not be required to, fill any vacancies in the membership of any committee.

Section 4. Committee Quorum; Voting. Unless otherwise prescribed by resolution of the Commissioners, a majority in number of the members of a committee shall constitute a quorum for purposes of transacting the committee's business and each member of a committee shall have one (1) vote in matters to be acted upon by the committee.

Section 5. Committee Minutes. Each Committee shall prepare and keep minutes of its meetings and furnish copies thereof to all Commissioners as soon as is practicable after each Committee meeting and a copy thereof shall be filed with, and made a part of the permanent records of the Water System.

Section 6. Advisory Role of Committees. Except as the Commissioners may otherwise prescribe by resolution, the actions and votes of any committee shall be advisory to the full Commission and shall not constitute action of, or be binding upon, the Commission or the Water System.

Section 7. Committee Rules. Committees shall conduct their business in accordance with such rules and regulations as the Commission may establish or, in the absence of such establishment by the Commission, in accordance with such rules and regulations as the committees themselves may establish.

ARTICLE VIII

CONTRACTS; CHECKS;
DEPOSITS; GIFTS AND GRANTS; ETHICS

Section 1. Contracts. The Commissioners may authorize the execution and delivery of any instrument by any officer or officers and/or other agent or agents of the Commission or the Water System, including but not limited to delegating general authority to enter into contracts not exceeding a maximum amount prescribed by the Commission.

Section 2. Award and Execution of Contracts.

Award of contracts shall comply with the Procurement Regulation of the Anderson Regional Joint Water System with the following clarifications:

- a. Contracts in an amount of more than \$20,000 shall be awarded by the Commission, except in an emergency. Unless otherwise determined by the Commission at the time of the award, a contract awarded by the Commission may be executed by the Chairman or Vice Chairman in the absence of the Chairman or may be executed by the Executive Director. The signature of the Chairman or Vice Chairman may be attested by the Secretary. The signature of the Executive Director may be attested by any Water System employee with signature authority. Unless required by law, other than this paragraph, the lack of attestation shall not affect the validity of a duly executed contract.
- b. Contracts for services normally obtained on a fee basis rather than by competitive bidding in an amount of \$20,000 or less may be awarded and executed by the Executive Director.
- c. In an emergency, the Executive Director may award and execute contracts without regard to the limits of Section 2a of Article VIII provided that the goods and services are of an urgent nature, directly and immediately required by the emergency. The Executive Director shall report to the Commission not later than 7 days after the emergency action or at its next regularly scheduled meeting, if that meeting will occur not later than 14 days after the action. An emergency is defined as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent and mitigate the loss or impairment of life, health, property or essential public services.

Section 3. Modifications to Contracts. The Executive Director is authorized to issue contract modifications as follows:

- a. Minor contracts (\$20,000 or less) to the extent that the cumulative total of the original contract and all modifications do not exceed \$20,000.
- b. Major contracts (greater than \$20,000) up to 10% of the original contract amount up to \$20,000.
- c. When the cumulative sum of modifications to a contract would exceed the limits in Section 3a. and 3b. above, a report of such modifications will be presented to the Commission seeking additional authorization.

- d. At project completion, the Executive Director will report to the Commission documenting project completion and all modifications to the original contract.

Section 4. Contract Documents.

- a. Contracts for the Water System shall be made only by a duly authorized officer or employee of the Water System. The Water System shall not be bound by any contract that is not first executed by a duly authorized officer or employee of the Water System.
- b. Contracts for services having a contract value of \$5,000 or greater shall be in writing.
- c. All changes, modifications, amendments or novations of written contracts shall be in writing. The Water System shall not be bound by any change order, modification, amendment or novation that is not first executed by a duly authorized officer or employee of the Water System.

Section 5. Checks; Drafts; Obligations. All bonds, bond anticipation notes, notes and other evidence of indebtedness and checks, drafts or other orders for the payment of money issued in the name of the Water System shall be signed by such person or persons as the Commissioners may prescribe by resolution.

Section 6. Deposits. All funds and other property shall be deposited in depositories selected by the Commissioners in interest-bearing accounts whenever practicable.

Section 7. Gifts; Grants. The Commission may, but is not required to, accept any contribution, gift, bequest or devise of funds, property or services from any person or entity. Similarly, the Commission may, but is not required to accept any grant from the United States of America or the State of South Carolina or any other governmental body or political subdivision of either of them.

Section 8. Ethics. In carrying out their respective duties, the Commissioners and the officers of the Water System shall be subject to the requirements and limitations of Sections 8-13-10 through 8-13-1020, Code of Laws of South Carolina, 1976, as may be amended from time to time, and the rules and regulations of the State Ethics Commissions, or any successor body, in effect from time to time, and shall endeavor to familiarize themselves with such requirements, limitations, rules and regulations. In particular, without limitation of the generality of the foregoing, no Commissioner or officer shall use his position or office to obtain financial gain for himself. In any case in which a Commissioner would be required to take action or make a decision which in his or her opinion would substantially affect directly his or her personal financial interest or those of a member of his or her household or a business with which he or she is associated, such Commissioner or officer shall, prior to taking action or making a decision with respect to the matter, prepare a written statement describing the matter and the nature of his or her potential conflict of interest and furnish a copy of such statement to each Commissioner on the Commission. Upon receipt of such statement, the Commission shall determine, without participation by the person submitting such statement, what action may be taken by or on behalf of the Water System with respect to such matter. Any employee of the Water System with compensation of twenty thousand dollars (\$20,000) per year or more shall not take his oath of office or enter upon his duties of employment unless he has filed a statement of economic interest as required by Section 8-13-810, Code of Laws of South Carolina, 1976. Any such

employee shall file such updating statements and take such other action as are required by the provisions of Sections 8-13-810 through 8-13-850, Code of Laws of South Carolina, 1976, as may be amended from time to time.

ARTICLE IX
BONDS

Section 1. Authorization. The Commissioners may authorize, by two-thirds (2/3) vote of the Commissioners, the borrowing of funds by the Water System and the issuance of bonds evidencing such borrowing upon such terms and conditions as the Commission may prescribe, all in accordance with the provisions of the South Carolina Constitution, and any other applicable law. Any such borrowing shall require the approval of the governing body of each member which is obligated or to be obligated under any contract for the payment of amounts to be pledged as security therefore.

Section 2. Execution. All bonds of the Water System, except as the Commission may otherwise prescribe in the resolution authorizing the issuance thereof, shall be executed on behalf of the Water System by the Chairman and Secretary and shall bear the seal of the Water System. Both of such signatures may be a facsimile signature and a facsimile of the impression of the Water System's seal may be printed on the Bonds, if the Commission so prescribes.

ARTICLE X
RENTS; RATES; FEES
AND CHARGES; REGULATIONS

Section 1. Rents; Rates; Fees and Charges. An affirmative vote of the holders of a majority of the votes entitled to be cast by all Commissioners shall be required to fix, charge and collect rents, rates, fees and charges for water and other services related to the supply, transmission and sale of water. With respect to any such proposal, the aggregate number of votes which all Commissioners are entitled to cast and the number thereof which each Commissioner is entitled to cast shall be determined in the same manner is provided, or as may be provided, under Section 8 of Article III.

Section 2. Regulations. With respect to all matters other than those requiring approval by a specific number of members or Commissioners or by some other specific number or proportion of votes entitled to be cast, the Commissioners may adopt rules and regulations for the conduct of the affairs of the Water System, by a majority vote of the Commission.

ARTICLE XI

FISCAL YEAR;
BUDGET; AUDIT; ANNUAL REPORT

Section 1. Fiscal Year. The fiscal year of the Water System shall be as determined by the Commission and may be changed by the Commission from time to time.

Section 2. Annual Budget. The Executive Director of the Water System shall prepare or cause to be prepared annually a proposed budget for the Water System for the following year and shall submit such proposed budget to the Commission of the Water System. The Commissioners shall review such proposed budget, make such changes, if any, as they deem appropriate and adopt a final budget. The Executive Director shall render such assistance to the Commission as the Commission may require in preparing a final budget. The Commission may adopt such additional budgets as they deem appropriate from time to time, and the Executive Director shall render such assistance in connection therewith as the Commission may require.

Section 3. Annual Audit. The Commission shall appoint annually an independent public accountant or accountants to prepare audited financial statements of the financial condition and operations of the Water System for each year. The Commission may authorize or direct the preparation of additional audited or unaudited financial statements of the Water System as the Commission determines is appropriate from time to time. Copies of all financial statements so prepared shall be distributed to all Commissioners and to the Oversight Committee.

Section 4. Annual Report. The Water System shall, following the close of each fiscal year, submit an annual report of its activities for the preceding year to the governing bodies of its members.

ARTICLE XII
DISPUTE RESOLUTION

Section No. 1. Members. Members shall endeavor to resolve their Claims by mediation which, unless the parties mutually agree otherwise, shall be in accordance with the Commercial Mediation Rules of the American Arbitration Association currently in effect. Request for mediation shall be filed in writing with the other party to the dispute and with the American Arbitration Association. Mediation shall proceed in advance of any arbitration or legal or equitable proceedings, which shall be stayed pending mediation for a period of forty-five (45) days from the date of filing, except in emergency situations unless stayed for a longer period by agreement of the parties or court order.

Section No. 2. Mediation. The mediator's fee and any filing fees shall be shared equally between parties to this dispute. The mediation shall be held in the place where the Project is located, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

ARTICLE XIII

AMENDMENT

These Bylaws may be amended by the Commissioners by the vote, with a quorum present, of the holders of a majority of the votes entitled to be cast by all Commissioners; provided, that in the case of amendment of any provision of these Bylaws which provides for approval of action by a vote of a particular number or proportion of members or Commissioners or by a greater number of votes entitled to be cast, amendment shall require approval by such particular number or proportion or greater vote. Special notice shall be given to all Commissioners, at the time and in the manner provided in Section 5 of Article III of these Bylaws with respect to agendas, of any proposal to amend these Bylaws, which special notice shall include the text of the proposed amendment.

ARTICLE XIV

CONFORMITY WITH LAW

These Bylaws shall be construed whenever possible in conformity with the Constitution of the United States, the Constitution of the State of South Carolina, and all applicable laws. If any provisions of these Bylaws, whether or not set forth in a separate paragraph, sentence or phrase, is held to be invalid or unenforceable, such provision shall be deemed narrowed or modified in such manner and to such extent, if any, which will render it valid and enforceable and such holding of invalidity or unenforceability shall not affect the validity or enforceability of any other provisions hereof.

ARTICLE XV

INDEMNIFICATION

To the extent permitted by law, the Water System shall indemnify any Commissioner made a party to a proceeding due to the fact that such Commissioner is or was a Commissioner of the Water System against any liability incurred in the proceeding if the Commissioner (1) conducted himself or herself in good faith; and (2) reasonably believed, in the case of conduct in his or her official capacity with the Water System, that his or her conduct was in the best interest of the Water System and, in all other cases, that his or her conduct was at least not opposed to the Water System's best interest; and (3) in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful; provided that the Water System shall not indemnify a Commissioner in connection with (a) a proceeding by or in the right of the Water System in which the Commissioner was adjudged liable to the Water System, or (b) any other proceeding charging improper personal benefit to the Commissioner, whether or not involving action in his or her official capacity, in which the Commissioner was adjudged liable on the basis that personal benefit was improperly received by the Commissioner.

Approved February 2006

ARTICLE XVI

OPERATING AGREEMENT

The Operating Agreement between the Water System and the City of Anderson with respect to certain joint transmission lines and related facilities, as the same may be amended, modified or supplemented from time to time, may not be amended without first obtaining, with a quorum present, the affirmative vote of the holders of at least sixty percent (60%) of the votes entitled to be cast by all Commissioners other than the Commissioner appointed by the City of Anderson.