

WINDERMERE OAKS WATER SUPPLY CORPORATION
POLICIES RELATING TO THE BOARD OF DIRECTORS,
CONFLICTS OF INTEREST, OFFICER RESPONSIBILITIES, ETHICS,
AND OTHER MATTERS RELATING TO THE ADMINISTRATION
AND MANAGEMENT OF THE CORPORATION

ARTICLE I
CODE OF ETHICS

1.1. Purpose

The Windermere Oaks Water Supply Corporation (“WOWSC”) hereby adopts these policies to encourage high ethical standards in official conduct by the directors, employees, and representatives of WOWSC and to establish guidelines for such ethical standards of conduct.

1.2. Policy

It is the policy of WOWSC that its directors, employees and representatives (collectively, the “WOWSC officials”) shall conduct themselves in a manner consistent with sound business and ethical practices, that the public interest shall always be considered in conducting WOWSC business, and that the Board of Directors of WOWSC shall control and manage the affairs of WOWSC fairly, impartially, without discrimination, and in accordance with the stated purposes of WOWSC.

1.3. Conflicts of Interest

- A. Every WOWSC official shall refrain from participating in any activity involving WOWSC where he or she has a real or potential conflict of interest, or which is otherwise self-serving in a manner that is distinguishable from the effect of the activity on the public at large. In any matter coming before a WOWSC representative in which there exists for him or her such a real or potential conflict of interest or self-serving opportunity, the WOWSC representative shall make public note of the conflict and recuse himself or herself from participating in any discussions, votes or other decision-making on the matter.
- B. In recognition of the fiduciary duties of public servants, each WOWSC official must act in good faith and not allow his or her own personal interests to prevail over the interests of WOWSC. Every WOWSC representative shall exercise that degree of care and loyalty that is expected of a person in a like fiduciary position under similar circumstances.
- C. No WOWSC official shall have a direct or indirect contractual relationship with a developer of property within WOWSC’s boundaries, as defined by Section 49.052(d) of the Texas Water Code, relating to WOWSC or to property within WOWSC’s boundaries, other than a contract limited solely to the purpose of purchasing or conveying real property in WOWSC’s boundaries, for the purpose of either establishing a permanent residence, establishing a commercial business within WOWSC’s boundaries, or qualifying as a director. To avoid the potential for a conflict of interest, the foregoing prohibition shall be interpreted and applied as follows:

1. The contractual prohibition shall apply to any entity in which a developer of property within WOWSC has a controlling interest.
2. The contractual prohibition shall apply to any entity where the holder of a controlling interest of such other entity is the same as the holder of the controlling interest in the developer.
3. No WOWSC official shall serve as an owner, principal or employee of a company or entity that has a contractual relationship with the developer relating to WOWSC or land within WOWSC's boundaries.

The Board of Directors is the responsible entity for interpreting and applying the provisions and standards provided herein.

- D. Without limiting the generality of the foregoing, a WOWSC official is prohibited by Chapter 171 of the Local Government Code from participating, directly or indirectly, in a vote or decision or from acting as a surety on any matter involving a business entity or real estate in which the official has substantial interest, if it is reasonably foreseeable that an action on the matter would confer an economic or any other benefit on the business entity or real estate.

For purposes of this Policy, a person has a "substantial interest" in a business entity if that person either (i) owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more, or \$15,000 or more, of the fair market value of the business entity; or (ii) funds received by the person from the business entity exceed 10 percent of the person's gross income from the previous year.

A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more.

- E. In cases of conflicts of interest, WOWSC officials shall disclose such conflicts and shall file with the Board secretary an affidavit stating the nature and extent of the conflict of interest. Thereafter, that WOWSC official shall abstain from participation in the matter as provided by law.
- F. WOWSC officials shall not disclose, without written legal authorization, confidential information to advance the financial or other private interests of him or others, or for any other reason.
- G. WOWSC may not contract for the purchase of services or personal property directly with a WOWSC official or with a business entity in which a WOWSC official has substantial interest except as permitted by law.
- H. The Board shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a director has a substantial interest. The director having the substantial interest may not participate in that separate vote, but may vote on a final budget if the separate budget item voted on does not exceed 10% of the total budget.
- I. A director of WOWSC shall not contract with WOWSC or be employed by an organization to which WOWSC has awarded a contract for one year following the date the person ceases serving as a director.

1.4. Nepotism

The Board shall not confirm the appointment to any position, nor award a contract, to a person related to a member of the Board within the second degree by affinity (marriage) or within the third degree by consanguinity (ancestry) when the salary or other compensation of such appointee is paid, directly or indirectly, from WOWSC funds, except as provided by Chapter 573, Texas Government Code.

1.5. Acceptance of Gifts

- A. A WOWSC official shall not solicit, accept, or agree to accept any benefit or value from a person or business entity the WOWSC official knows is interested in or likely to become interested in any contract, purchase, payment, claim, or other transaction involving the exercise of their discretion as a WOWSC official or any matter before the Board, or likely to come before the Board of any decision, opinion, recommendation, or vote.
- B. The prohibition against gifts or favors in Section 5.06(A) shall not apply to:
 - (1) an occasional non-pecuniary gift, valued at less than \$25.00; or
 - (2) an award publicly presented in recognition of public service.

1.6. Use of WOWSC Property

No Board member, officer, or employee shall permit any personal or unauthorized use of WOWSC-owned or WOWSC-controlled equipment, materials, supplies or property.

ARTICLE II
TRAVEL EXPENDITURES POLICY & REIMBURSEMENT

2.1. Policy

The Board hereby establishes policies for reimbursing WOWSC directors, officers, and employees for necessary and reasonable travel expenses incurred while conducting business or performing official duties or assignments.

- A. Authorized expenses include cost of meals, lodging, commercial travel, in some cases personal automobile mileage, and other necessary and reasonable costs incurred while on official business away from designated headquarters.
- B. Reimbursement for travel expenses shall be subject to approval by the Board. The reimbursement request shall include a statement of the business purpose of the travel, date, time, and place, and shall be accompanied by supporting receipts and invoices are required by the Board.

2.2. Compensation and Fees of Office

Except as authorized by applicable law and WOWSC's Bylaws, WOWSC directors shall not be entitled to any distributions of corporate profits or to other compensation or fees of office.

2.3. Meals and Lodging

Reimbursement to directors for actual expenses for meals and lodging shall not exceed the maximum amount allowed by law.

2.4. Transportation

Directors or employees who use personal vehicles while on WOWSC business travel may be reimbursed for actual miles driven at the current rate allowed by the Internal Revenue Service. Mileage will be computed by the most direct route. Directors or employees traveling by commercial transportation are entitled to reimbursement of the actual cost of necessary transportation for performing official business, except the reimbursement for air transportation shall not exceed the next lowest available airline fare below first class unless such is not available.

ARTICLE III
PROFESSIONAL SERVICES POLICY

3.1. Purpose

This professional services policy has been adopted to provide for the selection, monitoring, review, and evaluation of WOWSC contracts for professional services. Consultants retained by WOWSC to provide professional services include, but are not limited to, legal, engineering, financial advisor, management, bookkeeping, auditing, and tax collecting. Selection of such consultants shall be based upon their qualification and experience.

3.2. Periodic Review

The performance of the consultants providing professional services to WOWSC shall be regularly monitored and reviewed by the Board, and the Board may appoint a professional services committee to provide such monitoring and review to the Board.

ARTICLE IV
INDEMNITY AND LEGAL COSTS

4.1 To the extent authorized by Texas law, the Board of Directors may provide through insurance policies, through reimbursement of costs and damages, through providing of legal services, or otherwise, at its option, for:

(a) the legal defense of any Director, officer or employee, past or present, in connection with any claim asserted against him, and

(b) the payment of any judgment rendered against any Director, officer or employee, past or present, in relation to matters arising out of the course of his duties, as to which he acted in good faith and had or has no personal interest.

ARTICLE V
MISCELLANEOUS

5.1 Severability

Any provisions of these Policies in conflict with the laws governing special utility Agencies, or any act or law amendatory thereof, shall be of no force and effect.

5.2 Amendments

These Policies may be amended or revised only at a meeting of the Board of Directors after notice of such amendment has been properly posted in accordance with the Texas Open Meetings Act.

5.3. Adoption

The Board officially finds, determines, and declares that these Policies were reviewed, carefully considered and adopted at a regular meeting of the Board on August 21, 2019, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted in accordance with the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which these Code of Ethics and Policies were discussed, considered, and acted upon. The Board further ratifies, approves, and confirms such written notice and the contents and posting thereof.