

Leroy Tours Gerald Water Supply Corporation Ethical Standards

AND

Conflict of Interest Policy

Compliance with Bylaws

This policy has been adopted and maintained pursuant to Article IV, Section 4 of the member approved Bylaws of the Leroy – Tours – Gerald Water Supply Corporation. A Director is also subject to the provisions of Chapter 171 of the Texas Local Government Code, relating to the regulation of conflicts of interest of officers of local governments.¹

Statement Regarding Ethics

It is the policy of L.T.G. Water Supply Corporation that the business operates with the highest ethical conduct based on ethical principles and standards established to ensure that board members of the corporation and all persons employed by the corporation, regardless of rank or position, are held to the highest ethical standards.

General Purpose of Policy

The water supply corporation and staff as an established business are responsible to its membership to operate in an effective, efficient and productive manner. A person is disqualified from serving on the Board of Directors for the corporation or as an employee when there is a situation in which a person or entity has competing, personal, professional, or financial interest that makes it difficult for the person or business to act impartially. This conduct is considered “A Conflict of Interest”.

Conflict of Interest Disclosure

Should such a situation arise, the person or entity should immediately, in writing, report the potential conflict to the primary corporate office. This situation will be taken up and discussed at the next board meeting. Once disclosed to the Board and discussed, should the situation be decided that the Contract or Transaction was fair to the corporation and was in the corporation’s best interest, no action will be necessary to the Director or Employee; however should the situation be intentional on the part of the entity, Director, or the employee to harm the corporation, the entity, Director, or the employee may be removed from their position by a majority vote of the Board of Directors at a regular or special called meeting.

¹ Texas Water Code, Sec. 49.058, Conflicts of Interest

Guidelines for conduct of official business

The following guidelines for **board members** and **employees** are established:

1. The employees serve at the direction of, and are responsible to, the board of directors as a whole and is not required to deal solely with any one particular board member without direction from the board of directors to do so. This does not include dealing with board officers in ways that are part of standard operating procedures or dealing with board members on their own personal system membership issues.
2. The prime reason for a board member to be present at the corporate office is for official business at the direction of the board, unless as a member of the system, he or she is pursuing individual membership issues and is dealing solely with their particular membership account.
3. The process for a board member to gain access to official corporation documents must be either as an individual under the Public Information Act or as a board member operating under the direction of the board of directors and must always be on a “need to know” basis. In order to protect the privacy of members, and for security purposes, documents and records must be under tight control and should have their examination monitored by a designated corporate employee or board member. No copies of documents should be made at any time except under the approval and direction of the Board of Directors.
4. Directors or Members who wish to pursue issues relating to corporation business must first seek to place those items on the agenda for a regular board meeting. In general, any requests for specific actions affecting the corporation, suggested process or procedures for the corporation to follow, recommended equipment or capital purchases, and basically anything that deals with water corporation business, in any manner, must be submitted to be placed on the agenda. A board member’s request to place such items on the agenda must be stated for the record at a regular meeting and voted on by the board as to its acceptance for the agenda. There must be a clear reason(s) for acceptance and or rejection of a suggested agenda item. Emergency items may be considered and approved by officers between meetings.
5. **Official Matters.** Under no conditions should a board member approach any staff member of the corporation to seek solutions to any corporate business issues unless it has first been addressed by the board of directors at a regular board meeting and the board member has been directed to take such action.
6. **Official Capacity.** A Director is deemed to be acting outside their official capacity as a Director unless a corporate business matter is first discussed and addressed by the Board of Directors at a regular board meeting and the Director was directed by a majority of the Board of Directors to act on behalf of the Board on that specific matter or issue.
7. Employees shall timely report any contact between Board Members and any employee for any matter or issue not previously addressed and authorized as an official matter to the Board of Directors.

8. A director shall discharge the director's duties, including the director's duties as a member of a committee, in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the Corporation.
9. The role of the board of directors is to set policy; ensure the financial well-being of the Corporation; and to support and assist staff with the goals of operating the system in an effective, efficient and productive manner. A director's involvement in corporation business and activities should in no way conflict with or inhibit staff effectiveness, efficiency and productivity.

Contracts or Transactions Involving Interested Directors and Officers

A director has a conflict of interest if:

1. He or she is a party to a contract or transaction with the Corporation, or one or more affiliates or associates of the director is a party to a contract with the Corporation;
2. An entity or organization for which he or she is a manager, official, or member, or for which he or she has a financial interest is party to a contract or transaction with the Corporation;
3. He or she is a developer, as defined in the Corporation's Tariff, or affiliated with a developer of property within the service area of the Corporation, or of a developer that is requesting service from the Corporation;
4. He or she is an employee or immediate family member, or shareholder of a developer of property within the service area of the Corporation or of a developer that is requesting service from the Corporation;
5. He or she is serving as a consultant, engineer, attorney, manager, or in another professional capacity for a developer of property within the service area of the Corporation or of a developer that is requesting service from the Corporation; or
6. He or she has any other financial or special interest that may influence how the director would vote on a contract or transaction.

No officer or director shall:

1. Serve as a consultant, employee, or in any professional capacity for the corporation.
2. Serve as a decision-making managerial employee, or in some professional capacity representing a municipality, district, or utility which contracts with the Corporation for utility or other services.
3. Be a member of the immediate family of any consultant, employee, or in any professional capacity for the corporation.
4. Appoint, vote for, or confirm the appointment of a person to a paid office or position with the Corporation if the person is related to the Officer or Director by affinity within the second degree or by consanguinity within the third degree. (Affinity is By-Marriage. Consanguinity is having the same ancestor: related by blood).

Reliance on information, opinions, reports, or statements

In the discharge of any duty imposed or power conferred on a director, including as a member of a committee, the director may in good faith rely upon information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person that were prepared and presented by:

1. One or more officers or employees of the Corporation;
2. Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the person's professional or expert competence; or
3. A committee of the board of directors of which the director is not a member.

Offers of Employment, Appointment, Financial, or Material Benefit

No officer or director of the Corporation shall:

1. Solicit or accept or agree to accept any appointments or any financial and/or material benefit that might reasonably tend to influence his or her performance of duties for the Corporation or that he or she knows or should know is offered with the intent to influence the performance of his or her duties;
2. Make any personal investment that might reasonably be expected to create a material conflict between the officer or director and his or her duties for the Corporation; or
3. Solicit or accept or agree to accept a financial benefit from another person or entity in exchange for performing duties as an officer or director of the Corporation in favor of the other person or entity.

Gifts to Corporation

The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general use or for any special purpose of the Corporation; provided, however, that the Board shall reject any such contribution, gift, bequest or devise made upon a condition or restriction if the Board determines that the acceptance as so conditioned or restricted may not be in the best interest of the Corporation.

Confidential Information.

No director or officer or employee of the Corporation shall disclose confidential information concerning the property, operations, policies or affairs of the Corporation, or use such confidential information to advance personal interests, financial or otherwise, or accept employment or engage in any business or professional activity which such director, officer or employee might reasonably expect would require or induce him or her to disclose confidential information acquired through or by reason of his or her position with the Corporation.

Use of Corporation Facilities, Staff, Equipment, and Supplies

Directors and Employees shall only use the Corporation's facilities, staff, equipment or supplies for purposes directly related to the Corporation's business.

Loans to Directors

The Corporation may not make a loan to a director. The directors of the Corporation who vote for or assent to the making of a loan to a director, and any officer who participates in making the loan, are jointly and severally liable to the Corporation for the amount of the loan until the loan is repaid.

Compensation.

No officer or director of the Corporation shall be entitled to any compensation for or in consideration of the execution of his or her duties as officer or director; provided, however, that the actual, reasonable expenses of any officer or director incurred in the business of the Corporation may, with approval of the Board, be paid to them.

Alteration, Amendment, or Repeal

This Policy may be altered, amended, or repealed by a two-thirds (2/3) vote of a majority of the Directors present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered.

Removal from office for Incapacity, Felony Conviction, or no longer Member.

A Director shall at all times maintain qualifications for holding office pursuant to Chapter 67 of the Texas Water Code. A Director is automatically removed from office if they no longer meet a qualification to serve as Director.² Any resultant vacancy on the Board of Directors shall be filled in accordance with the most recently approved and adopted Bylaws.

Acknowledgement and Acceptance

Each Director, Officer and Employee shall acknowledge and accept this Ethical Standards and Conflict of Interest Policy. A duly elected Director or Officer who has not acknowledged, accepted, and signed this policy may attend any business meeting of the corporation. However, any purported vote made by a Director or Officer that has not acknowledged, accepted, and signed this policy will not be counted in the official tabulation of votes for Corporation purposes.

Failure of any Employee to acknowledge and accept this policy shall be cause for immediate dismissal from employment.

² Texas Water Code, Sec. 67.0051, Qualifications for election of appointment as Director.

Acknowledgement, Agreement, and Signature

I have read this Ethical Standards and Conflict of Interest Policy and I understand and agree to abide by the policies set forth herein.

Signature: _____

Printed Name: _____

Board Title / Employee (Director, Officer, or Employee):

Date: _____