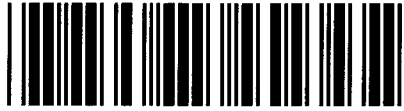




Control Number: 44712



Item Number: 1

Addendum StartPage: 0

44712

Frognot Water Supply Corporation
9329 CR 628
Blue Ridge, Texas 75424
(972) 752-5798 office (972) 977-4725
(972) 752-2592 fax

MAY -5 AM 11:25

April 27, 2015

TEXAS COMMISSION
FILING CLERK

Texas Commission on Environmental Quality
Rate Section Tariff Clerk
P.O. Box 13087, MC 153
Capitol Station
Austin, Texas 78711-3087

Re: Frognot Water Supply Tariff Changes

To Whom It May Concern:

Please accept the changes to our Ethical Standards and Conflict of Interest Policy. The new policy was adopted by Frognot WSC on February 20, 2015. This policy replaces the previous policy in our Tariff.

Sincerely,



Robert Todd
General Manager

Enclosures

FROGNOT WATER SUPPLY CORPORATION
ETHICAL STANDARDS AND
CONFLICT OF INTEREST POLICY

1. 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.
2. 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:
 - a. One or more officers or employees of the Corporation;
 - b. Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the person's professional or expert competence; or
 - c. A committee of the board of directors of which the director is not a member.
3. A director is not relying in good faith if the director has knowledge concerning a matter in question that makes reliance on one of the sources listed in paragraph 2 unwarranted.
4. 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.
5. 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.
6. 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.

7. 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.
8. Contracts or Transactions Involving Interested Directors and Officers: A director may have an interest adverse to the Corporation if:
 - a. He or she is a party to a contract or transaction with the Corporation;
 - b. Another 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;
 - c. 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;
 - d. 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;
 - e. 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
 - f. He or she is a party to a contract with a developer of property within the service area of the Corporation or of a developer that is requesting service from the Corporation, other than a contract that merely conveys real property within the service area of the Corporation for the purpose of establishing a residence or establishing a commercial business within the service area of the Corporation.
9. Offers of Employment, Appointment, Financial, or Material Benefit: No officer or director of the Corporation should:
 - a. 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;

- b. 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
 - c. 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.
- 10. 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.
- 11. If at any time an officer or director is required to discuss or vote on an issue which may create a conflict of interest including those interests specifically set forth in this Policy or on another issue which is likely to be interpreted by the members or by the public as a conflict of interest such as when a private or personal interest is involved, the officer or director shall disclose the material facts as to the relationship or interest to the Corporation's board of directors and shall abstain from discussion and voting, as a matter of record, on that issue. The interested director may be included in determining the presence of a quorum at a meeting of the board where the issue that creates the conflict of interest is deliberated.
- 12. Disqualification of Directors.
 - a. A person is disqualified from serving as a member of a board if that person:
 - (1) is related within the third degree of affinity or consanguinity to a developer of property in the corporation, any other member of the board, or the manager, engineer, attorney, or other person providing professional services to the corporation;
 - (2) is an employee of any developer of property in the corporation or any director, manager, engineer, attorney, or other person providing professional services to the corporation or a developer of property in the corporation in connection with the corporation or property located in the corporation;
 - (3) is a developer of property in the corporation;
 - (4) is serving as an attorney, consultant, engineer, manager, architect, or in some other professional capacity for the corporation or a

developer of property in the corporation in connection with the corporation or property located in the corporation;

(5)(A) is a party to a contract with or along with the corporation except for the purchase of public services furnished by the corporation to the public generally; or

(B) is a party to a contract with or along with a developer of property in the corporation relating to the corporation or to property within the corporation, other than a contract limited solely to the purpose of purchasing or conveying real property in the corporation for the purpose of either establishing a permanent residence, establishing a commercial business within the corporation, or qualifying as a director; or

- b. Within 60 days after the board determines a relationship or employment exists which constitutes a disqualification under Subsection (a), it shall replace the person serving as a member of the board with a person who would not be disqualified.
- c. As used in this section, "developer of property in the corporation" means any person who owns land located within a corporation covered under this section and who has divided or proposes to divide the land into two or more parts for the purpose of laying out any subdivision or any tract of land or any addition to any town or city, or for laying out suburban lots or building lots, or any lots, streets, alleys, or parks or other portions intended for public use, or the use of purchasers or owners of lots fronting thereon or adjacent thereto.
- d. Any rights obtained by any third party through official action of a board covered by this section are not impaired or affected by the disqualification under this section of any member of the board to serve, provided that the third party had no knowledge at the time the rights were obtained of the fact that the member of the board was disqualified to serve.
- e. A board by unanimous vote of its remaining members may remove a board member only if that board member has missed one-half or more of the regular meetings scheduled during the prior 12 months.
- f. A person is considered to have resigned from serving as a member of the board if the person fails to attend three consecutive meetings of the board. The remaining board members by majority vote may waive the resignation under this subsection if fairness requires that the absences be excused on the basis of illness or other good cause.

- g. Within the 90 days of the completion of the Frognot WSC Annual Meeting, or the appointment to the Board, all Board members must complete Open Meetings and Open Records Training. A person is considered to have resigned from serving as a member of the board if the person fails to complete this training. The remaining board members by majority vote may waive the resignation under this subsection if fairness requires that the absences be excused on the basis of illness or other good cause.