

**LAKEWAY MUNICIPAL UTILITY DISTRICT
CODE OF ETHICS ~~AND TRAVEL AND~~
~~PROFESSIONAL SERVICES POLICY~~**

ARTICLE I

DEFINITIONS

- 1.01. Board. "Board" means the Board of Directors of the District.
- 1.02. Business Entity. "Business Entity" means a sole proprietorship, partnership, firm, corporation, holding company, joint stock company, receivership, trust or any other entity recognized by law through which business is conducted.
- 1.03. Committee Member. "Committee Member" means a person appointed to serve on any Committee of the District.
- 1.04. Director. "Director" means a person elected or appointed to serve on the Board of Directors of the District.
- 1.05. District. "District" means Lakeway Municipal Utility District.
- 1.06. Employee. "Employee" means a person or Business Entity employed by the District.
- 1.07. Officer. "Officer" means an elected or appointed officer of the District.
- 1.08. Professional Services Procurement Act. "Professional Services Procurement Act" means Subchapter A, Chapter 2254, Texas Government Code, as amended from time to time.
- 1.09. Water Code. "Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE II

CODE OF ETHICS

2.01. Subject Matter. This Code of Ethics, Travel and Professional Services Policy (this "Policy" or "Code of Ethics") is adopted under Section 49.199 of the Water Code. The subject matter of this Policy is addressed by other statutes of the State of Texas, including those governing public meetings, public records, audits, financial management, disqualifications of board members, conflicts of interest, self-dealing and illegal and corrupt practices. This Policy is not intended to supersede or summarize other provisions of applicable law.

2.02. Statement of Policy; Purpose of Code.

A. It is the policy of the District that all District Directors, Officers, Committee Members and Employees conduct themselves, both inside and outside District service, so as to give no occasion for mistrust of their integrity, impartially or devotion to the best interests of the District in the public trust which it holds.

B. This Code of Ethics has been adopted to establish guidelines for high ethical standards in official conduct by District Directors and Committee Members, and to provide guidance to District Directors and Committee Members in order to install a high level of public confidence in the Board's and Committee's professionalism, integrity and commitment to the public interest. Further, this Code of Ethics will serve as a basis for disciplining those who refuse to abide by the terms of this Policy.

2.03. Standards of Conduct.

A. All Directors and Committee Members will conduct themselves with decorum, both at public meetings and in other settings in which he or she may be viewed by the public as acting in an official capacity. All District Directors, Committee Members and Employees will treat each other, and any member of the public appearing at any meeting of the Board, with proper courtesy and respect.

B. No Director, Officer, Committee Member or Employee may disclose any confidential information, including information gained during any executive session of the Board.

C. No Director or Committee Member may engage in any conduct prejudicial to the District or that reflects discredit upon the Board.

D. All Directors and Committee Members must use care in taking any public position on any issue pertaining to the business of the District to distinguish between their individual opinions and the official position of the Board.

2.04. Conflicts of Interest.

A. No Director, Officer, Committee Member or Employee may transact any business in his or her official capacity with any person or Business Entity with whom or in which he or she has any interest, whether direct or indirect, without the prior approval of the Board, after disclosure and discussion at a posted Board meeting. The District may not transact any business with any Business Entity in which a District Director or Committee Member has any interest, whether direct or indirect, without the prior approval of the Board, after proper disclosure and discussion at a posted Board meeting.

B. No Director, Officer, Committee Member or Employee may represent, directly or indirectly himself or any private person, Business Entity, group or interest other than the District before the Board, except in matters of purely public concern and when doing so without compensation or remuneration.

C. If any Director or Committee Member has a personal pecuniary interest, direct or indirect, in any decision pending before the Board, that Director or Committee Member may not discuss or otherwise participate in the consideration of the matter, or vote on the matter, but must disclose the nature and extent of his or her interest in writing prior to any determination of the matter, and abstain from any vote thereon. This paragraph does not apply to any decision made by the Board affecting the District's tax rate, or other fees, charges and rates of the District.

2.05. Attendance. All Directors and Officers must consistently attend all meetings of the Board, including all regularly scheduled work sessions. As provided in Section 49.052 of the Water Code, any Director who misses one-half or more of the regular meetings of the Board scheduled within a 12-month period may be removed by the unanimous vote of the other Directors.

ARTICLE III

TRAVEL EXPENDITURES AND FEES OF OFFICE

3.01. Reimbursement of Expenses. Reimbursement for travel expenditures and other expenses incurred by a Director upon behalf of the District are subject to approval by the Board. Any Director desiring reimbursement for expenses must present a verified statement to the Board, together with all supporting receipts and invoices.

3.02. Conference and Seminar Policy. Directors may attend conferences and meetings at the District's expense only if deemed appropriate by the Board. Unless otherwise approved by the Board, each Director attending a conference or meeting must attend all blocks of educational sessions in order to qualify for reimbursement. Subject to prior Board approval and compliance with the other requirements of the Code of Ethics, and except as provided in 3.03, each Director who attends a conference, business meeting or seminar related to the District business may be reimbursed for travel, lodging and meal expenses associated with that attendance, as follows:

A. Travel Expenses. Transportation costs, including but not limited to, airfare, car rental, taxi fare and parking incurred while on official District business will be reimbursed based upon the costs actually incurred by the Director; however, reimbursement for transportation on a common carrier will be limited to tourist/coach rates. Mileage reimbursement for transportation by personal automobile will conform to Internal Revenue Service regulations.

B. Lodging Expenses. Lodging expenses will be reimbursed based upon costs actually incurred by the Director and will not exceed the amount of lodging expense determined to be reasonable and necessary.

C. Meal Expenses. Meal expenses will be limited to the amount determined to be reasonable and necessary.

D. Excluded Expenses. Expenses that are of a personal nature or are not reasonable or necessary to the District business will not be paid or reimbursed by the District.

ARTICLE IV

COMPLAINTS AND PROCEDURES FOR VIOLATIONS

4.01. Complaints. All complaints or allegations of violations of the Code of Ethics must be made in writing, sworn to before a notary public and filed with the District's attorney. A complaint must describe in detail the act that is complained of, and the specific sections of this Code alleged to have been violated. A general complaint, lacking detail, will not be sufficient to invoke the procedures in this section, and anonymous complaints will not be considered.

4.02. Initial Determination. Within thirty (30) calendar days of receipt of a complaint, the District's attorney will determine if the facts of the complaint, if true, would constitute a violation of this Code. If the District's attorney determines that the complaint does not contain facts that constitute a violation, the District's attorney will so advise the Board at its next regular meeting.

4.03. Report to the Board. If the District's attorney determines that the complaint contains facts that, if true, would constitute a violation, the District's attorney will present a report to the Board. A majority of the members of the Board not implicated by the complaint will determine whether the complaint should be considered or rejected.

4.04. Consideration by the Board. To consider a complaint, the Board may convene in executive session as permitted by the Texas Open Meetings Act. The Board member implicated by the complaint will have the right to a full and complete hearing, with the right to call witnesses and present evidence. Any final action, decision or vote will be made in open meeting.

4.05. Reprimand. The failure of a Director to comply with the provisions of the Code will constitute grounds for disciplinary action, which may include but not necessarily be limited to reprimand, and if allowed by law, removal, as deemed appropriate by the other members of the Board.

ARTICLE VI

PROFESSIONAL SERVICES; BONDS

5.01. Selection. Consultants and employees retained to provide professional services to the District, including, but not limited to, legal, engineering, management, accounting and tax collection services, will be selected based upon their qualifications and by majority vote of the Board. In selecting attorneys, engineers, auditors, financial advisors or other professional

consultants, the District will follow the procedures required by the Professional Services Procurement Act.

5.02. Bond. The Board will require any Employee who handles District funds to provide a bond, in an amount determined by the Board, in accordance with the requirements of Section 49.057(e) of the Water Code.

ADOPTED this 9th day of August, 2006.

LAKEWAY MUNICIPAL
UTILITY DISTRICT

By: Thomas J. Rozen President
Board of Directors

ATTEST:

By: R. J. Hilgas Secretary
Board of Directors

[SEAL]