

**CERTIFICATE FOR
RESOLUTION ADOPTING AN AMENDED CODE OF ETHICS, FEES
AND EXPENSE POLICY, POLICIES AND PROCEDURES FOR
SELECTION AND REVIEW OF CONSULTANTS,
POLICIES CONCERNING THE USE OF MANAGEMENT
INFORMATION INCLUDING THE FORMATION OF AN AUDIT
COMMITTEE, AND CERTAIN OTHER MATTERS**

THE STATE OF TEXAS
COUNTY OF GALVESTON
FLAMINGO ISLES MUNICIPAL UTILITY
DISTRICT OF GALVESTON COUNTY, TEXAS

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We, the undersigned officers of the Board of Directors (the "Board") of Flamingo Isles Municipal Utility District of Galveston County, Texas (the "District"), hereby certify as follows:

1. The Board convened in special session, open to the public, on Nov. 18, 2010 at 1301 Harborwalk Boulevard, Hitchcock, Texas 77563, a location inside the District, and the roll was called of the members of the Board, to-wit:

Arnold J. Cross, Jr., President
Ronald Ray Holley, Vice President
Richard Couch, Secretary
Michael L. Andries, Treasurer
Donald P. Tarpey, Assistant Secretary

All members of the Board were present, except the following: None, thus constituting a quorum. Whereupon among other business, the following was transacted at such Meeting: A written

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As duly introduced for the consideration of the Board and read in full. It was then duly moved and seconded that such Order be adopted, and, after due discussion, such motion, carrying with it the adoption of such Order, prevailed and carried by the following votes:

AYES: 5 NOES: 0

2. A true, full, and correct copy of the aforesaid Order adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Order has been duly recorded in the Board's minutes of such Meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such Meeting pertaining to the adoption of such Order; the persons named in the above and foregoing

paragraph are the duly chosen qualified, and acting officers and members of the Board as indicated therein, each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of such Meeting, and that such Order would be introduced and considered for adoption at such Meeting and each of such officers and members consented, in advance, to the holding of such Meeting for such purpose, and such Meeting was open to the public, and public notice of the time, place, and purpose of such Meeting was given, all as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code, both as amended.

SIGNED AND SEALED this Nov. 18, 2010.

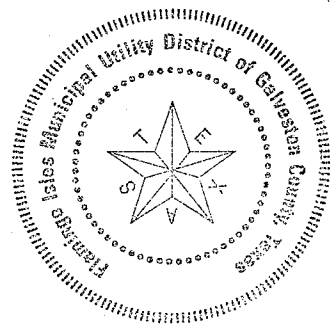


Secretary, Board of Directors



President, Board of Directors

(DISTRICT SEAL)



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WHEREAS, Flamingo Isles Municipal Utility District Of Galveston County, Texas (the "*District*") is a conservation and reclamation district operating pursuant to Article 16, §59 of the Texas Constitution; and

WHEREAS, Tex. Water Code Ann. §49.199 requires that the Board of Directors of the District adopt certain policies and procedures in writing, including a code of ethics, an expense policy, policies and procedures for selection and review of consultants, and policies concerning the use of management information and the formation of an audit committee;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT OF GALVESTON COUNTY, TEXAS THAT:

I.

The Board of Directors hereby adopts Attachments A through D hereof as its written policies and procedures required by Tex. Water Code Ann. §49.199.

II.

The President and the Secretary of the Board of Directors are authorized to evidence adoption of this Resolution on behalf of the Board of Directors and to do all other things proper and necessary to carry out the intent hereof.

ATTACHMENT A

CODE OF ETHICS

SECTION 1. *Purpose.* The purpose of this Code of Ethics is to set forth the standards of conduct and behavior for the members of the Board of Directors of the District, and its officers, employees, and persons handling investments for the District (collectively with the Directors, the “*District Officials*”).

SECTION 2. *Conflicts of Interest.* The District adopts Chapter 171, Government Code, as its Conflict of Interest Policy, the principal provisions of which are as follows: Except where a majority of the Board of Directors is required to abstain from participation in a vote because of conflict of interest, a Director will abstain from participating in a decision of the Board of Directors which either (1) confers an economic benefit on a business in which the Director or a close relative has a substantial interest, or (2) affects the value of property in which the Director or a close relative has a substantial interest differently from how it affects other real property in the District. For these purposes, a person is considered to have a “substantial interest” in a business if (1) he owns 10% or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$5,000 or more of the fair market value of the business entity; or (2) funds received from the business exceed 10% of his gross income for the previous year. A Person has a substantial interest in real property if the interest is an equitable or legal interest with a market value of \$2,500 or more. A “close relative” of a Director for these purposes is a person related to the Director within the first degree of affinity or consanguinity.

SECTION 3. *Conduct of District Business.* Each District Official will conduct all business of the District in a manner consistent with the requirements of applicable law.

SECTION 4. *Acceptance of Gifts.* No District Official shall accept any benefit as consideration for any decision, opinion, recommendation, vote, or other exercise of discretion in carrying out his official acts for the District. No District Official shall solicit, accept, or agree to accept any benefit from a person known to be interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the District Official’s discretion. As used herein, “benefit” shall not include:

(1) A fee prescribed by law to be received by a public servant or any other benefit to which the District Official is lawfully entitled or for which he gives legitimate consideration in a capacity other than as a District Official;

(2) A gift or other benefit conferred on account of kinship or a personal, professional, or business relationship independent of the status of the recipient as a District Official;

(3) A political contribution, as defined by the Election Code;

(4) A benefit consisting of food, lodging, transportation, or entertainment accepted as a guest; or

(5) A benefit to a District Official required to file a financial statement under the Texas Election Code that is derived from a function in honor or appreciation of the recipient if

(A) The benefit and the source of any benefit in excess of \$50.00 is reported in the required financial statement;

(B) The benefit is used solely to defray the expenses that accrue in the performance of duties or activities in connection with its official duties for the District which are non-reimbursable by the District; or

(6) An item with a value of less than \$50, excluding cash or a negotiable instrument; or

(7) An item issued by a governmental entity that allows the use of property or facilities owned, leased, or operated by the governmental entity.

SECTION 5. *Investment Officer.* An investment officer of the District who has a personal business relationship with an entity seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the District shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Board and Texas Ethics Commission.

ATTACHMENT B

FEES AND EXPENSE POLICY

SECTION 1. *Purpose.* The purpose of this Expense Policy is to set forth the policies of the District concerning fees of office and travel expenses for members of the Board of Directors of the District.

SECTION 2. *Fees of Office for Directors.* The Directors shall not receive fees of office.

SECTION 3. *Expenses.* A director shall be entitled to receive reimbursement for actual expenses reasonably and necessarily incurred while engaging in activities on behalf of the District only with Board approval.

SECTION 4. *Attendance at Meetings and Conduct of Other District Business.* Board members may attend conferences and meetings of the Association of Water Board Directors, at the District's expense, whether within or outside the City of Houston. Attendance at other conferences, hearings, or other meetings outside the Houston metropolitan area by the members of the Board of Directors must be sanctioned by the Board of Directors; attendance at local meetings or conduct of other local District business will be at each Director's discretion. Directors attending any meeting or conducting any District business shall report to the Board concerning the meeting or activity.

SECTION 5. *Expenses Outside of Metropolitan Houston.* The District will pay a reasonable room rate for a director's hotel room, if District business requires that the director be out of Metropolitan Houston, reasonable tips incurred in making the trip, roundtrip mileage at the current IRS mileage rate and parking, if any, for travel by car or roundtrip airfare at current commercial rates for standard (not first class) airfare and reasonable rental car or taxi charges. The District will pay for meals actually eaten and paid for by the Director on a sanctioned trip outside of Metropolitan Houston; provided, however, reimbursement for meals will be limited to \$50 per day.

SECTION 6. *Expenses for Local Meetings and Activities.* The District will pay for roundtrip mileage at the current IRS rate for travel by car, parking, and will pay meals directly related to the meeting or activity. Reimbursement for meals will be limited to \$50 per day.

SECTION 7. *Reimbursement.* To receive reimbursement for expenses, a Director must submit an itemized expense report to the bookkeeper before reimbursement is approved by vote of the Board. Items on the expense report shall include lodging, meals, tips, parking and transportation. Directors sharing expense items may split reported expenses in any matter they deem equitable, but the Board will pay no more than 100% of the actual total cost of reimbursable items.

SECTION 8. *Extraordinary Expenses.* Any extraordinary expenses for a Director attending a sanctioned activity of the District must be approved by the Board prior to incurring the expense.

ATTACHMENT C

POLICY CONCERNING SELECTION, MONITORING, REVIEW, AND EVALUATION OF PROFESSIONAL CONSULTANTS

SECTION 1. *Purpose.* The purpose of this Policy Concerning Selection, Monitoring, Review, and Evaluation of Professional Consultants is to set guidelines for the Board of Directors for the District concerning its Professional Consultants.

SECTION 2. *Definition of Professional Consultant.* "Professional Consultant" shall include the District's attorney, engineer, auditor, bookkeeper, financial advisor, and tax assessor/collector, and such other consultants other than employees that the District may hereafter engage.

SECTION 3. *Selection of Consultants.* Selection of consultants shall be in accordance with the Professional Services Procurement Act, Section 2254.001 *et seq.*, Government Code, which prohibits competitive bidding for such services.

SECTION 4. *Monitoring of Professional Consultants.* For those Professional Consultants with annual contracts, the Board of Directors of the District will review the performance of the Professional Consultants for the prior year at the time the contract is renewed. The Board of Directors shall review the performance of its other Professional Consultants, upon the request of one or more Directors.

ATTACHMENT D

POLICIES RELATING TO USE OF MANAGEMENT INFORMATION AND FORMATION OF AN AUDIT COMMITTEE

SECTION 1. *Purpose.* The purpose of this Policy Relating to Use of Management Information and Formation of an Audit Committee for the District is to provide written policies concerning use of management information.

SECTION 2. *Annual Budget.* Prior to each fiscal year, the Board of Directors of the District shall adopt an annual budget for the next fiscal year for use in planning and controlling of costs.

SECTION 3. *Audit Committee.* The District hereby appoints its Board of Directors as an audit committee to review the annual audit prepared by the District Auditor.

SECTION 4. *Accounting Standards.* The District hereby directs its auditor to adopt uniform auditing reporting requirements that use "Audits of State and Local Governmental Units" as a guide on audit working papers and that uses "Governmental Accounting and Financial Reporting Standards" for final audit reports (subject to the standards for audits prescribed by applicable Texas Commission on Environmental Quality Rules).