CERTIFICATE FOR ORDER OR RESOLUTION

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §

The undersigned officers of the Board of Directors of Fern Bluff Municipal Utility District of Williamson County, Texas (the "District") hereby certify as follows:

The Board of Directors of Fern Bluff Municipal Utility District convened in **regular** session on the 12th day of January, 2016 at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board, to wit:

Patrick Savarese	President
Joseph Teiber	Vice President
Dave Quillman	Secretary
George Sabatino	Treasurer
Jessica Stempko	Assistant Secretary/Treasurer

and all of said persons were present, except for the following absentees: Director Stempko, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting:

RESOLUTION OF THE BOARD OF DIRECTORS OF FERN BLUFF MUNICIPAL UTILITY DISTRICT REESTABLISHING A STATEMENT OF POLICIES ON ETHICS, TRAVEL, FINANCIAL, AND MANAGEMENT PRACTICES

was introduced for the consideration of the Board. It was then duly moved and seconded that the Order or Resolution be adopted, and, after due discussion, the motion, carrying with it the adoption of the Order or Resolution prevailed and carried by the following vote:

AYES: All present
NOES:

That a true, full and correct copy of the aforesaid Order or Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; and that said Order or Resolution has been duly recorded in said Board's minutes of said meeting; that the persons named in the above and foregoing paragraph were duly chosen, qualified and acting officers and members of the Board as indicated therein, that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, to the holding of said meeting for such purpose; that said meeting was open to the public as required by law; that public notice of the time, place and subject of said meeting was given as required by the Texas Government Code, §551.043, as amended, and §49.063 of the Texas Water Code, as amended, and that the undersigned are the duly chosen, qualified and acting officers of the current Board of Directors.

SIGNED AND SEALED this 12th day of January, 2016.

Dave Quillman, Secretary

[SEAL]

Patrick Savarese, President

RESOLUTION OF THE BOARD OF DIRECTORS OF FERN BLUFF MUNICIPAL UTILITY DISTRICT REESTABLISHING A STATEMENT OF POLICIES ON ETHICS, TRAVEL, FINANCIAL, AND MANAGEMENT PRACTICES

WHEREAS, Section 49.199 of the Texas Water Code, requires all water districts to adopt a code of ethics and establish practices and procedures on the financial and management activities of such districts; and

WHEREAS, the Board of Directors of Fern Bluff Municipal Utility District desires to adopt policies on a code of ethics, travel, financial and management practices of the District, pursuant to the provisions of Section 49.199 of the Texas Water Code; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF FERN BLUFF MUNICIPAL UTILITY DISTRICT THAT:

Section 1. The matters and facts recited in the preamble of this Resolution are found and determined to be true and correct and are incorporated as a part of this Resolution.

Section 2. The Board of Directors of the District hereby approves and adopts the the document attached hereto entitled "Statement of Policies on Ethics, Travel, Financial, and Management Practices of Fern Bluff Municipal Utility District" pursuant to Section 49.199 of the Texas Water Code, as amended.

Section 3. The Statement of Policies may be amended from time to time by the Board of Directors of the District by Resolutions amending specific parts or provisions thereof without the necessity of re-enacting the entire Statement on Policies.

PASSED AND APPROVED this 12th day of January 2016.

/s/ Patrick Savarese
President, Board of Directors

ATTEST:

/s/ Dave Quillman
Secretary, Board of Directors

(SEAL)

STATEMENT OF POLICIES ON ETHICS, TRAVEL, FINANCIAL AND MANAGEMENT PRACTICES OF FERN BLUFF MUNICIPAL UTILITY DISTRICT

I. SCOPE AND OBJECTIVES

1.1 This Statement of Policies on Ethics, Travel, Financial and Management Practices of Fern Bluff Municipal Utility District (the "Statement") is promulgated pursuant to Chapter 49.199 of the Texas Water Code and Chapter 551 and Chapter 552 of the Texas Government Code. These subjects are also addressed to a greater or lesser extent in other statutes, such as those governing public meetings, audits, financial management, access to public records, disqualifications of persons to serve as directors, conflicts of interest, self-dealing, and illegal and corrupt practices. However, this Statement is not intended to address or provide a summation of those other statutes, and they should continue to be consulted for all relevant purposes. Rather, the purpose of this Statement is to provide guidance to District representatives in the performance of their duties and activities, specifically as related to the subjects stated in the above-referenced subchapters, so as to instill and maintain a high level of confidence on the part of the public in the professionalism, integrity, and commitment to the public interest of those in public service.

1.2 Definitions, as used in this Statement;

(a) "District representatives" means Directors, officers, employees and representatives of the District and persons engaged in handling investments for the District; and

(b) "Developer of Property in the District", as defined in Subsection 49.052 (d), Texas Water Code, means any person who owns land located within the District 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 other tract of land or any suburban lots or building lots or 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.

II. DISQUALIFICATION OF DIRECTORS

2.1 As provided in Section 49.052, a person is disqualified from serving as a member of the Board of Directors if that person:

(a) is related within the third degree of affinity or consanguinity to any developer of property in the District, any other member of the Board, or the manager, engineer, attorney, or other person providing professional services to the District;

(b) is an employee of any developer of property in the District, any Director, manager, engineer, attorney, or other person providing professional services to the District or a developer of property in the District in connection with the District or property located in the District;

(c) is a developer of property in the District;

(d) is serving as an attorney, consultant, engineer, manager, architect or in some other professional capacity for the District or a developer of property in the District in connection with the District or property located in the District;

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

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

(f) during the term of office, fails to maintain the qualifications required by law to serve.

2.2 The Board of Directors shall replace the Director within 60 days after it determines that a relationship or employment exists which constitutes a disqualification under Subsection 49.052 (b), Texas Water Code.

2.3 As provided in Subsection 49.052 (c), any Director who willfully occupies office and exercises the powers and duties of that office when disqualified under Subsection 49.52 (a) is guilty of a misdemeanor under the laws of the State of Texas and, on conviction, may be fined not less than $100 or more than $1,000.

III. ETHICS

3.1 It is hereby declared the policy of the District that its Board of Directors, officers, investment officers and employees shall conduct themselves so as to give no occasion for distrust of their integrity, impartiality or of their devotion to the best interests of the District and the public purposes for which it was created. Accordingly, the following standards of conduct are hereby established to provide a guideline to the directors, officers, investment officers, and employees of the District in the conduct of normal business and operations of the District:

(a) Conflicts of Interest. Pursuant to Section 49.058, Texas Water Code, each Director of the District is subject to the provisions of Chapter 171, Texas Local Government Code, relating to the regulation of conflicts of interest of officers of local governments. Therefore, the District adopts Chapter 171, Texas Local Government Code, as its conflicts of interest policy, the principal provisions of which are as follows:

1. A Director will abstain from participating in a decision of the Board of Directors of the District which either (a) will have a special economic effect on a business in which the Director or a person related to the Director in the first degree by consanguinity or affinity has a substantial interest that is distinguishable from the effect on the public; or (b) in the case of substantial interest in real property, affects the value of such property in which the Director or a person related to the Director in the first degree by consanguinity or affinity has a substantial interest differently from how it affects the public, except when a majority of the Board of Directors of the District is required to abstain from participation in a particular vote because of a similar conflict of interest. A Director who determines that he or she must abstain from participating in a decision of the Board of Directors of the District for a reason set forth above must file an affidavit with the Secretary of the Board of Directors of the District, prior to a vote or decision by the Board of Directors of the District on the matter, stating the nature and extent of the Director's interest in the matter.

2. For the purpose of this conflicts of interest policy, a Director is considered to have a "substantial interest" in a business if (a) the Director or a person related to the Director in the first degree by consanguinity or affinity owns ten percent (10%) or more of the voting stock or shares of the business entity or owns either ten percent (10%) or more or $15,000 or more of the fair market value of the business entity; or (b) funds received from the business exceed ten percent (10%) of the Director's gross income for the previous year. A Director has a substantial interest in real property if the interest is an equitable or legal ownership with a market value of $2,500 or more.

(b) Gifts. No director, officer, investment officer or employee of the District shall directly or indirectly solicit, accept or receive any gift or thing of value, whether in the form of money, services, credits, loans, travel, entertainment, hospitality, promise or any other form, under circumstances where a reasonable inference could be drawn that the gift or thing of value was intended to influence such director, officer, investment officer or employee of the District in the performance of his or her official duties or was intended as a reward for any official action on his or her part. Nothing herein shall be deemed or construed to prohibit normal social practices where gifts among friends or associates are appropriate for certain occasions. Specifically, a director, officer, investment officer or employee of the District may accept a gift or thing of value from a person, firm, corporation or other entity having or proposing to have

a business or financial relationship with the District only when the offer and the acceptance and receipt of such gift or thing of value:

1) Are in keeping with good business ethics;

2) Are customary and proper under the circumstances and give no appearance of impropriety;

3) Do not impose any sense of obligation on the recipient to the donor;

4) Do not result in any form of special or favored treatment for the donor;

5) Cannot reasonably be viewed as extravagant, excessive, or too frequent considering all the circumstances;

6) Do not involve cash, currency, loans or credit arrangements of any kind, or any item of property of significant value;

7) Have a value of $49.99 or less (including gift certificates);

8) Do not involve materials, service, repairs or improvements at no cost or at unreasonably low prices; and

9) Are made under circumstances where no effort is made to conceal the facts and circumstances related thereto by either the recipient or the donor.

(c) Investments. Except under circumstances permitted by the general or special laws of the State and the rules, regulations and policies of the District, no director, officer, investment officer or employee of the District shall own an interest in or derive compensation or profit from or engage in the management of any organization providing services, materials or equipment to the District, except when such interest is comprised solely of securities traded over the counter or listed on a public security exchange, or except when such interest has been fully disclosed to the Board of Directors of the District in the manner required by law.

(d) Confidential Information. No director, officer, investment officer or employee of the District shall disclose confidential information concerning the property, operations, policies or affairs of the District, or use such confidential information to advance the personal interests, financial or otherwise, of such director, officer, investment officer or employee, or accept employment or engage in

any business or professional activity which such director, officer, investment 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 District.

(e) Private Employment. No director, officer, investment officer or employee of the District shall negotiate for or accept future employment with any person, firm, association or corporation which has a substantial financial interest in any proposed award of contract or decision within the area of responsibility of such director, officer, investment officer or employee and upon which he or she must act or make a recommendation.

(f) Appearance of Proper Conduct. Each director, officer, investment officer or employee of the District shall conduct his or her official and personal affairs in such a manner as to clearly demonstrate that he or she cannot be improperly influenced in the performance of his or her official duties, and to such ends, no director, officer, investment officer or employee of the District shall endorse commercial products or services by permitting the use of pictures, endorsements or quotations in advertisements utilizing or making reference to the properties, operations or affairs of the District.

(g) 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 written 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 must file a statement disclosing such relationship. Any statement required to be filed by an investment officer of the District under this subsection must be filed with the Board of Directors of the District and the Texas Ethics Commission.

(h) Disclosure of Certain Relationships by Directors. As set forth in Local Government Code § 176.003, each Director or agent of the District ("agent") must file a Conflicts Disclosure Statement as prescribed by the Texas Ethics Commission with the District's records administrator within seven business days of the Director or the Agent becoming aware of a conflict with a person or business ("Vendor") that has contracted with or seeks to contract with the District such as (i) a substantial business interest between the Vendor and the Director and/or the Agent (including the family of the Director and/or Agent, (ii) a relationship with the person within the 3rd degree of consanguinity or within the 2nd degree of affinity, a substantial interest in the business, or when the Director or a

family member has received gifts (except for food, lodging, transportation or entertaining accepted as a guest) from the person or business valued at more than $100 in the aggregate within the 12 month period prior to contracting with the District.

(i) Disclosure of Certain Relationships by Vendors. As set forth in Local Government Code § 176.006, each Vendor, as defined in Local Government Code § 176.001(7), doing business with the District must file a Conflicts of Interest Questionnaire, as prescribed by the Texas Ethics Commission, with the District's records administrator within seven business days after the date that the Vendor begins contract discussions or negotiations with the District or submits to the District an application, response to a request for proposals or bids, correspondence, or other writing related to a potential agreement with the District or within seven business days after the Vendor becomes aware of the one of the following situations: (i) the Vendor has a business relationship with a Director, agent of the District and/or family member of the Director or Agent, (ii) the Vendor has provided a Director and/or Agent a gift valued at more than $100 in the aggregate within the 12 month period prior to contracting with the District (except for food accepted as a guest or political contributions pursuant to Title 15 of the Election Code), or (iii) the Vendor has a relationship with the Director and/or Agent within the 3rd degree of consanguinity or within the 2nd degree of affinity.

IV. MANAGEMENT OF DISTRICT FUNDS

4.1 The Board of Directors of the District shall designate the persons authorized to manage funds of the District. Such persons shall be responsible, as appropriate, for the deposit, investment, transfer and other management of such funds in the best interests of the District and within the scope of authority delegated to them by the Board of Directors. The funds of the District shall be invested, within the requirements of law, in investments that yield the best possible rate of return at such time that the Board considers the investment while providing necessary protection of the principal consistent with the operating requirements of the District and considering the District's budget and cash flow requirements.

4.2 Withdrawals from bond fund bank accounts of the District shall be made in the name of the District by any three Directors of the District.

4.3 Withdrawals from the operating account of the District may be made in the name of the District by any two Directors of the District or other District representatives as may be authorized form time to time by the Board of Directors of the District. Withdrawals from the construction account of the District are hereby authorized in the name of the District by any three Directors of the District.

4.4 Endorsements for deposit to the District's bond fund account, operating account and construction account may be evidenced merely by the name of the District being written or stamped on the instrument deposited, without designation of the party making the endorsement.

(a) The Board of Directors of the District hereby authorizes the General Manager of the District to maintain a checking account using District Funds provided the following limitations shall apply to such authorization:

(i) Signatories on the General Manager's checking account shall be the General Manager and any of the Investment Officers listed in the District's Investment Policy. However, only one signature will be required on checks written on this account.

(ii) No checks may be written on the General Manager's checking account in excess of $10,000.

(b) At such times as may be necessary to insure prompt payment of time-sensitive bills, the General Manager may, subject to prior approval of the President of the Board of Directors, disburse funds by wire account.

(c) A register reflecting all expenditures including the date, amount, payee and purpose of each payment shall be presented to the Board each month at the regular meeting of the Board of Directors.

4.5 Additional directions and authority for the management and investment of District funds may be specified from time to time by the Board of Directors of the District.

V. TRAVEL AND REIMBURSEMENT OF EXPENSES

5.1 A member of the Board of Directors of the District will be reimbursed for reasonable and necessary travel and other expenses incurred an behalf of the District by and for the Director, as authorized by Section 49.060, Texas Water Code, upon presentation of a verified statement and approval thereof by the Board of Directors of the District. Other expenses that may be reimbursed include lodging, meals (excluding alcoholic beverages) and registration fees while in attendance at meetings or conventions held by organizations related to the official business of the District, attendance at which has been approved by the Board of Directors. Expenses not to be reimbursed are those incurred by a Director for recreational or social purposes except where such costs are included as part of the registration fee for the meeting or convention. The Board of Directors of the District may establish additional limits on the type and character of travel and other expenses for which reimbursement will be authorized. Any other District representative will be reimbursed for such travel and other expenses on the basis and at the rates as may be specified from time to time by the Board of Directors and the District.

5.2 Under no circumstances will a Director be reimbursed for travel or other expenses incurred by a family member of a Director.

VI. DIRECTORS FEES

6.1 Pursuant to Texas Water Code § 49.060, a Director of the District shall be compensated for no more than $150.00 a day for performing duties of a Director, not to exceed $7,200 a year. Performing the duties of a Director means substantive performance of the management or business of the District. By way of example, the following activities are considered substantive performance of the management or business of the District for which a Director will receive compensation for a full day's work ($150.00) despite the length of the activity:

(a) Attendance at Board meetings;
(b) Attendance at Committee meetings; or
(c) Attendance at educational seminars and training directly related to or involving District management or business (including, but not limited to, required Open Records Training, A.W.B.D. conferences, and Secretary of State election training courses, etc.).
(d) Meetings with consultants or other Directors on behalf of the District;
(e) Meetings with other governmental authorities on behalf of the District;
(f) Meetings with developers on behalf of the District; or
(g) Review of voluminous documents on behalf of the District.

6.2 Performing the duties of a Director means substantive performance of the management or business of the District and does not included ministerial activities such as the execution of documents, self preparation for meetings or other activities requiring a minimum amount of time.

VII. MANAGEMENT INFORMATION PRACTICES

7.1 On or before the regular August meeting of each fiscal year, the General Manager of the District will present to the Board of Directors for approval the recommended District budget for the succeeding fiscal year. The General Manager will also present to the Board of Directors each quarter a quarterly budget comparison. As necessary, the General Manager shall present a revised budget to the Board of Directors for approval, so that the budget reflects as accurately as possible the operations of the District at the end of the fiscal year.

7.2 The Board shall appoint an audit committee composed of two members of the Board of Directors, one of whom shall be either the Treasurer or the Assistant Secretary-Treasurer of the Board of Directors. The Audit Committee shall review quarterly the following information and report relevant information therefrom to the Board of Directors at a meeting of the Board:

(a) Revenues actual vs. projected;
(b) Expenses actual vs. projected and sampled for proper vouchers;
(c) Investments;
(d) The records of the accounts of the District's depository, District's treasurer and District's Bookkeeper as provided for in Section 49.193, Texas Water Code; and
(e) Financial Management of the District.

The Audit Committee shall make recommendations to the Board of Directors on changes in financial policies and management, and shall submit a report to the Board of Directors at least quarterly on its work.

7.3 All accounting and financial reporting for the District will be conducted pursuant to the codification of "Governmental Accounting and Financial Reporting Standards" and Statements of Financial Accounting Standards, as applicable.

7.4 The Board of Directors of the District will hire an independent auditor to report on the financial statements of the funds and account groups of the District and prepare audited financial statements and prepare a letter on internal control and accounting procedures, as deemed necessary by the auditor, in compliance with Subchapter G of Chapter 49, Texas Water Code.

VIII. PROFESSIONAL SERVICES

8.1 Any contract for professional consulting services, including legal, fiscal, accounting, auditing and/or engineering services shall be initiated, concluded and administered by the Board of Directors of the District pursuant to the procedures provided in Subchapter A, Chapter 2254, Government Code, as amended (the "Professional Services Procurement Act").

8.2 The procedures for selection of professional consultants herein shall be subject to all other applicable requirements of the general and special laws of the State including, but not limited to, the provisions of Chapter 171, Texas Local Government Code, as amended.

8.3 Pursuant to Texas Government Code § 2252.908, the District shall not enter into a contract with a business entity, as defined therein, unless the business entity submits a disclosure of interested parties on a form as prescribed by the Texas Ethics Commission to the District at the time the business entity submits the signed contract to the District. Not later than the 30th day after the date the District receives the Disclosure of Interested Parties, the District shall submit a copy of the Disclosure of Interested Parties to the Texas Ethics Commission.

8.4 The Board of Directors of the District will monitor regularly the services of the General Manager, engineers, attorneys, fiscal advisors, tax assessor-collector, and other persons and firms providing professional services to the District (collectively the

"Consultants"). The evaluation and selection of persons and firms to provide professional services for the District shall be conducted by the Board of Directors.

8.5 Except as may be otherwise authorized by the Board of Directors, the President shall have primary responsibility for directing the work of the District's Consultants. In directing the Consultants, the President, or other Board members as may be authorized by the Board of Directors, shall ensure that the Consultants are fulfilling the objectives of the Board of Directors within the limits necessary to ensure that the Consultants maintain their roles as independent contractors.

8.6 The Consultants shall be responsible for implementing the directives of the Board of Directors in a timely and efficient manner. In addition, the Consultants shall refrain from taking any action that is adverse to the District and shall promptly notify the Board of Directors whenever they become aware of any circumstance that could adversely impact the District.

8.7 The General Manager shall have the primary responsibility of supervising contractors hired by the District with general oversight by the Board of Directors or an applicable Board committee. Unless otherwise authorized by the Board of Directors, directives to contractors from the Board shall be delivered by the General Manager and communications between contractors and the District should flow through the General Manager.

8.8 The District shall require that any officer, employee, or consultant who collects, pays or handles any funds of the District furnish or provide a bond, payable to the District, in an amount determined by the Board of Directors of the District to be sufficient to safeguard the District. Such bond shall be conditioned on the faithful performance of that person's duties and on accounting for all funds and property of the District. The bond shall be signed or endorsed by a surety company authorized to do business in the State of Texas. The Board may pay the premium on such surety bonds required out of any available funds of the District.

SECTION IX REQUIRED TRAINING

9.1. Within 90 days of taking office, whether elected or appointed, Directors of the District shall complete a training course regarding responsibilities of the District with respect to the Texas Open Meetings Act (Texas Government Code Chapter 551).

9.2 The Board of Directors may designate a public information coordinator to oversee the District's Records. Within 90 days of assuming the duties of public information coordinator (if he or she is not required to take an oath of office), the public information coordinator shall complete a training course regarding the District's responsibilities under the Texas Open Records Act (Texas Government Code Chapter 552). If a Director is appointed public information coordinator, then the Director shall complete the Open Records Training within 90 days of taking office as Director.

9.3 The Open Meetings and the Open Records training courses shall be not less than one hour and no more than two hours and shall be approved by the Attorney General. After completing the training, Directors and the Custodian of District Records shall submit to the District certificates of course completion.

SECTION X MISCELLANEOUS

10.2 No part, section, paragraph or provision of the rules, regulations and policies contained herein is intended to expand, restrict or modify the legal duties and obligations of any director, officer, investment officer, consultant, contractor or employee of the District beyond the limits of applicable law, and in case of any conflict or inconsistency, such conflict or inconsistency will be resolved in favor of the applicable requirements of law. In the event of any ambiguity or uncertainty as to the intent and application of any part, section, paragraph or provision hereof, a written request for clarification or approval of a proposed action describing such circumstances shall be submitted to the Board of Directors of the District for a decision as to a proper course of action.

10.3 The rules, regulations and policies set forth herein shall be and remain in full force and effect unless and until amended, revised, rescinded or repealed by action of the Board of Directors of the District. Any prior resolutions, orders, rules, regulations or policies which pertain to the subject matter herein or are in conflict herewith, are repealed, revoked, rescinded and of no further force and effect as of the date hereof..

PASSED, APPROVED, AND EFFECTIVE this 12th day of January 2016.

/s/ Patrick Savarese
President, Board of Directors

ATTEST:

/s/ Dave Quillman
Secretary, Board of Directors