

MINUTES OF MEETING OF BOARD OF DIRECTORS  
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT  
OF GALVESTON COUNTY, TEXAS

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

The board of directors (the “Board”) of Flamingo Isles Municipal Utility District of Galveston County, Texas (the “District”) met in special session, open to the public, at 1435 Harborwalk Boulevard, Hitchcock, Texas, on August 20, 2009, at 2:00 p.m.; whereupon the roll was called of the directors, to-wit:

Larry M. Corona, President  
Sidney J. Worthy, Vice President  
John Towner, Secretary  
Edward F. Hartman III, Treasurer  
Rick Atchison, Assistant Secretary

All members of the Board were present except Director Towner. Also attending all or portions of the meeting were Mr. Lynn Watkins of Harborwalk, L.P., developer of property in the District (the “Developer”); Mr. Bob Ideus of Municipal Business Services, bookkeeper for the District; Mr. Rhonda Rushton of Assessments of the Southwest, tax assessor and collector for the District; Mr. Marcus Michna and Ms. Rhonda Gregg of Shelmark Engineering, L.L.C.; engineer for the District; Ms. Mark McGrath of Null-Lairson, P.C., auditor for the District; and Ms. Kathleen Ellison of Fulbright & Jaworski L.L.P. (“F&J”), attorneys for the District.

Notice of the meeting was posted in accordance with law at the locations and at the times shown on Exhibit “A” attached hereto. The meeting was called to order and the following business was transacted:

1. **Approval of Minutes of July 15, 2009.** Upon motion by Director Atchison, seconded by Director Hartman, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as presented.

2. **Approve audit for fiscal year ended March 31, 2009.** The President recognized Mr. McGrath, who presented to and reviewed with the Board a draft of the audit for fiscal year ending March 31, 2009, a copy of which is attached hereto as Exhibit “B.” Upon motion by Director Hartman, seconded by Director Worthy, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for fiscal year ending March 31, 2009.

3. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The Board reviewed the financial advisor’s debt service cash flow analysis and recommendation for setting the tax rate, copies of which are attached hereto as Exhibit “C.” The financial advisor recommended that the District set a tax rate in the amount of \$0.50 per \$100 assessed valuation

(\$0.40 to debt service and \$0.10 to operating and maintenance). The Board discussed the District's ongoing operational expenses and its 2009 taxable value.

Ms. Ellison presented to and reviewed with the Board reviewed a draft of the Order Designating Officer to Calculate and Publish Tax Rate and Taking Other Actions in Connection with the Levy of a Tax for 2009 (the "Order"), a copy of which is attached hereto as Exhibit "D." Ms. Ellison noted that the District is required to hold one public hearing on a proposed tax rate before it may set the tax rate and that the notice of the hearing, along with the proposed tax rate, must be published in the newspaper. She said that the Order authorizes Tommy Lee's office to arrange for publication of the required information. Upon motion by Director Worthy, seconded by Director Atchison, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Order and to propose a tax rate of \$0.50 per \$100 assessed valuation in accordance with the recommendations of the District's financial advisor.

It was the consensus of the Board to hold a special Board meeting on Thursday, October 8, 2009 at 2:00 p.m. at 1435 Harborwalk Boulevard (marina office) to hold the Public Hearing on the tax proposed tax rate.

4. **Tax Assessor and Collector report and payment of bills.** The President recognized Ms. Rushton, who reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "E." Ms. Rushton noted that 97.64% of the District's 2008 taxes had been collected as of July 31, 2009. Upon motion by Director Atchison, seconded by Director Hartman, after full discussion and the question being put to the Board, the Board voted unanimously to approve the tax assessor and collector's report and to authorize payment of the checks identified therein.

5. **Approve Depository Pledge Agreement with Wells Fargo Bank (tax account).** Ms. Rushton noted that the tax collector would like to move the District's tax account from BBVA Compass to Wells Fargo. Ms. Rushton presented to and reviewed with the Board a Depository Pledge Agreement between the District and Wells Fargo, a copy of which is attached hereto as Exhibit "F." Ms. Ellison noted that she had reviewed the agreement and summarized its terms. Upon motion by Director Hartman, seconded by Director Worthy, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of a Depository Pledge Agreement with Wells Fargo Bank for the tax account.

6. **Bookkeeper's report and payment of bills.** The President recognized Mr. Ideus, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G." Ms. Ellison asked if checks to GeoServe and Bryan's Carpentry should be added to the report. Mr. Watkins noted that GeoServe and Bryan's Carpentry had done work on an emergency basis to repair the buoys in the District's channel, which had been destroyed by a loose barge. The Board authorized checks to GeoServe and Bryan's Carpentry in an amount not to exceed \$5,000 in the aggregate, and Mr. Ideus said he would add the checks to the report. Upon motion by Director Worthy, seconded by Director Atchison, after full discussion and the question being put to the Board, the Board voted unanimously to approve the bookkeeper's report as amended and to authorize payment of the checks identified therein.

7. **Report on Easements from General Land Office for Harborwalk Access Channels.** Ms. Ellison stated that the District previously agreed to assume the Developer's duties under the Commercial Coastal Easement between the General Land Office ("GLO") and Harborwalk, L.P. and agreed to pay the annual fee of \$4,878. Ms. Ellison reported that she has researched whether the District, as a political subdivision of the State of Texas, is required to pay an annual fee to the GLO and discussed the matter with legal counsel for the GLO. She said it is the position of the GLO that the District is required to pay the annual fee. Ms. Ellison said the legal costs to pursue the issue further are likely to be greater than the fees paid over several years. The Board decided that it would not pursue the issue at the present time.

8. **Engineer's report and any necessary action regarding construction projects.** The President recognized Mr. Michna, who stated that there are no construction projects to report on at this time.

Mr. Michna reported that he coordinated with Mr. Watkins regarding the submission of the District's application to FEMA for reimbursement in connection with damage to District facilities from Hurricane Ike. It was noted that the FEMA reimbursement check has not yet been received.

9. **Authorize engagement of Shelmark Engineering, L.L.C. to act as exclusive agent to assist the District in the analysis and determination of a maintenance dredging program for the Harborwalk canal system.** The Board reviewed the proposed Letter of Engagement with Shelmark Engineering, L.L.C., a copy of which is attached hereto as Exhibit "H." Ms. Gregg said that the major issue in a dredging program is finding an acceptable disposal site. She described some of the options for disposal sites. Upon motion by Director Atchison, seconded by Director Hartman, after full discussion and the question being put to the Board, the Board voted unanimously to engage Shelmark Engineering, L.L.C. to act as exclusive agent to assist the District in the analysis and determination of a maintenance dredging program for the Harborwalk canal system and to authorize the Board President to execute the engagement letter.

10. **Approve and authorize execution of Exhibit(s) A to Master Financing Agreement with Harborwalk, L.P.** Ms. Ellison noted that no exhibits would be presented.

11. **Developer's Report.** Mr. Watkins said that after 28 months he had just received the necessary permit from the Army Corps of Engineers to do further work in Harborwalk, including completion of Section 6. Mr. Watkins reported that some of the bulkhead in Section 6 has settled and will need to be repaired.

12. **Set next meeting date.** It was the consensus of the Board to hold the next meeting on October 8, 2009.

13. **Other Matters.** No other matters came before the Board.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on October 8, 2009.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(DISTRICT SEAL)