

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 201 Harborwalk Boulevard, Hitchcock, Texas, on February 19, 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. 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. Tommy Lee of Assessments of the Southwest, tax assessor and collector for the District; Mr. Randall Liska of Shelmark Engineering, L.L.C.; Mr. Mark McGrath of Null-Lairson, P.C.; auditor for the District; and Ms. Carla Christensen 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 October 9, 2008 and January 13, 2009.** Upon motion by Director Towner, seconded by Director Worthy, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as presented.
2. **Renew District insurance (expires March 4, 2009).** The Board reviewed the renewal insurance proposal with TML from Harco Insurance Services, a copy of which is attached hereto as Exhibit “B.” It was the consensus of the Board to decline the optional “Travel Benefits” and “Supplemental Sewer Backup” coverages. 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 and authorize execution of the renewal insurance proposal from Harco.
3. **Engage auditor for fiscal year end March 31, 2009** The President recognized Mr. McGrath, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending March 31, 2009, a copy of which is attached hereto as Exhibit “C.” Mr. McGrath stated that the auditing fees for last year totaled \$9,100. Mr.

McGrath estimated that auditing fees for fiscal year ending March 31, 2009 will be approximately \$9,100. Upon motion by Director Hartman, seconded by Director Towner, after full discussion and the question being put to the Board, the Board voted unanimously to engage Null Lairson to perform the District's audit for fiscal year ending March 31, 2009 and to authorize the President to execute the auditor engagement letter.

4. **Tax Assessor and Collector report and payment of bills.** The President recognized Mr. Lee, who reviewed with the Board the Tax Assessor and Collector's Report for January 2009, a copy of which is attached hereto as Exhibit "D." Mr. Lee noted that 78.25% of the District's 2008 taxes had been collected as of January 31, 2009 and 85% of the District's 2008 taxes had been collected as of the meeting date. Upon motion by Director Towner, seconded by Director Worthy, 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. **Adopt Resolution Authorizing Additional Penalty on Taxes. Penalty and Interest remaining delinquent on April 1, 2009 (personal property) and July 1, 2009 (other property).** 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 adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes remaining delinquent on April 1, 2009 for personal property and remaining delinquent on July 1, 2009 for other property, a copy of which is attached hereto as Exhibit "E."

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 "F." Upon motion by Director Hartman, 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 and to authorize payment of the checks identified therein.

7. **Adopt budget for fiscal year ending March 31, 2010.** The President recognized Mr. Ideus, who presented to and reviewed with the Board a draft budget for fiscal year ending March 31, 2009, a copy of which is attached hereto as Exhibit "G." Upon motion by Director Hartman, seconded by Director Towner, after full discussion and the question being put to the Board, the Board voted unanimously to approve budget for fiscal year ending March 31, 2010.

8. **Consider Assumption of Leases from General Land Office for Harborwalk Access Channels.** The Board reviewed the memorandum prepared by the District's attorney and the existing Commercial Coastal Easement between the General Land Office ("GLO") and Harborwalk, L.P., copies of which are attached hereto as Exhibit "H." Discussion ensued. Upon motion by Director Worthy, seconded by Director Towner, after full discussion and the question being put to the Board, the Board voted unanimously to approve the assumption of the Commercial Coastal Easement from Harborwalk, L.P. or to enter into Coastal Easement with the GLO in lieu of Harborwalk, to authorize the President to execute the easement instruments and any other documentation necessary in connection with transfer of the easement to the District, and to authorize payment to the GLO for the easement.

9. **Engineer's report and any necessary action regarding construction projects.** The President recognized Mr. Liska, who stated that there are no construction projects to report on at this time. Mr. Liska reported that he is coordinating with Mr. Watkins regarding the District's application to FEMA for reimbursement in connection with damage to District facilities from Hurricane Ike. Upon motion by Director Worthy, seconded by Director Towner, after full discussion and the question being put to the Board, the Board voted unanimously to approve the engineer's report.

10. **Authorize dredging, pump repair and other maintenance on District facilities.** Mr. Watkins reported that he is coordinating with the District's engineer to negotiate a contract for necessary navigation and buoy repairs and cleaning of the circulation pumps between the canals. The Board authorized Mr. Watkins and the District's engineer to proceed with the navigation and buoy repairs and the cleaning of the circulation pumps as discussed.

11. **Report on Hurricane Ike and any necessary actions regarding reimbursement for damages.** Mr. Watkins stated that he is working with the engineer to file the necessary documentation with FEMA for reimbursement.

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

13. **Developer's Report.** Mr. Watkins stated that the development is progressing.

Mr. Watkins noted that he is still working on obtaining the necessary amended wetlands permit.

14. **Set next meeting date.** It was the consensus of the Board to hold the next meeting when needed.

15. **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 \_\_\_\_\_, 2009.

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President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(DISTRICT SEAL)