

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 July 15, 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 and Mr. Alan 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. Marcus Michna of Shelmark Engineering, L.L.C.; engineer for the District; and Ms. Carla Christensen, paralegal, 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 February 19, 2009 and May 7, 2009.** Upon motion by Director Atchison, 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. **Approve audit for fiscal year ended March 31, 2009.** This item was tabled until the Board’s next meeting.
3. **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, a copy of which is attached hereto as Exhibit “B.” Mr. Lee noted that 96.79% of the District’s 2008 taxes had been collected as of June 30, 2009. 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 tax assessor and collector’s report and to authorize payment of the checks identified therein.

Mr. Lee reported that the 2008 delinquent tax accounts have been turned over to the District's delinquent tax attorney for collection.

4. **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 "C." 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 and to authorize payment of the checks identified therein.

5. **Review Investment Policy.** The Board reviewed the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto and the current Investment Policy, copies of which are attached hereto as Exhibit "D." The Board agreed that no changes to the Investment Policy are needed at this time. 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 adopt the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto.

Discussion ensued regarding the investment of District funds. Mr. Ideus reported that he is investigating alternative investment options.

6. **Authorize Continuing Disclosure Report.** Ms. Christensen stated that the District is required to make an annual filing of its audit and certain other information on the Developer with the Municipal Securities Rulemaking Board so that bondholders can view current information on the District. Ms. Christensen stated that the filing must be made by September 30. The Board reviewed a draft of the Resolution Approving Continuing Disclosure and the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "E." Ms. Christensen stated that F&J will coordinate with the District's auditor, financial advisor and Developer to finalize and file the report. 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 authorize the preparation of the Continuing Disclosure Report and filing of same.

7. **Review report from Arbitrage Compliance Specialist in connection with Series 2007 Bonds and authorize payment of invoice for same.** The Board reviewed the Arbitrage Rebate Report in connection with Arbitrage Compliance Specialist's ("ACS") review of the District's Series 2007 Bonds, a copy of which is attached hereto as Exhibit "F." Ms. Christensen reported that Arbitrage Compliance Specialists report reflects that the District's 2007 Bonds are not subject to arbitrage and/or yield restriction payments at this time. Ms. Christensen stated that ACS will continue to monitor the District's 2007 Bonds. 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 report prepared by Arbitrage Compliance Specialists in connection with the Series 2007 Bonds.

8. **Report on Easements and take necessary action to obtain easements in District's name from General Land Office for Harborwalk Access Channels.** Mr. Watkins stated that the District previously accepted the Commercial Coastal Easement between the

General Land Office (“GLO”) and Harborwalk, L.P. and agreed to pay the fees. Mr. Watkins reported that the District’s attorney is investigating whether such fees can be waived.

9. **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. Mr. Watkins reported that the District should receive a check from FEMA within the next few weeks.

Mr. Michna reported that the City of Hitchcock is attempting to obtain two emergency generators with federal funding for the District to utilize at the lift station.

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 engineer’s report.

10. **Authorize dredging, pump repair and other maintenance on District facilities (including main entrance channel)** Mr. Watkins reported that the bay channels need to be dredged. Mr. Watkins noted that the Army Corps of Engineers requires a permit for disposal of the dredging material. Mr. Michna stated that he is coordinating with various municipalities regarding the disposal of the dredging material. Extensive discussion ensued. 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 authorize the District’s engineer to prepare a feasibility study of the District’s options in connection with the necessary dredging of the bay channels and to make a recommendation to the Board at the next Board meeting.

11. **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.

12. **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.

13. **Report on AWBD conference.** The Board discussed the conference presentations.

14. **Set next meeting date.** It was the consensus of the Board to hold the next meeting on August 20, 2009.

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

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

* * *

The foregoing minutes were passed and approved by the Board of Directors on August 20, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)