

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 1301 Harborwalk Boulevard, Hitchcock, Texas, on August 12, 2010, at 12:00 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. Steve Pierce of the Midway Companies; 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, LLC, engineer for the District; Mr. Mark McGrath of McGrath & Co., PLLC, auditor for the District; Mr. John Howell of the GMS Group, financial advisor for the District; Ms. Kathleen Ellison and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“F&J”), attorneys for the District; and members of the public. A sign in sheet is attached hereto as Exhibit “A”.

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

1. **Approval of Minutes of April 22, 2010.** Upon motion by Director Towner, 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. **Public comments.** The President recognized Mr. Tomlinson, who read a statement to the Board of Directors, a copy of which is attached hereto as Exhibit “C.”

The President recognized Mrs. Cross, who expressed her and her husband’s concerns regarding the operations of the District (lack of inspections of facilities, transparency of the District’s operations, and responsiveness to correspondence). Mrs. Cross requested that the District provide all of the District’s property owners with various District documents by September 15, 2010. A copy of Mrs. Cross’ statement is attached hereto as Exhibit “C-1.”

3. **Engineer's report and any necessary action regarding maintenance dredging project, bulkhead systems project, and annual maintenance program.** The President recognized Mr. Michna, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "D." Mr. Michna reported on necessary maintenance dredging projects, necessary bulkhead system projects, and a proposed annual 20-year maintenance plan, copies of which are attached to the Engineer's Report. Discussion ensued.

Upon motion by Director Towner, seconded by Director Atchison, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District's engineer to request proposals for the bulkhead cap work and fill (detailed costs attached to the Engineer's Report) and to award the contract to the lowest qualified bidder at a cost not to exceed \$15,000.

Upon motion by Director Worthy, seconded by Director Hartman, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District's engineer to request proposals for the bulkhead system repairs (detailed costs attached to the Engineer's Report) and to award the contract to the lowest qualified bidder at a cost not to exceed \$50,000.

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 authorize the District's engineer to advertise for bids for the maintenance dredging (Plan C – detailed costs attached to the Engineer's Report) and to award the contract to the lowest qualified bidder at a cost not to exceed \$50,000.

It was the consensus of the Board to discuss the annual maintenance plan at a later date once the District's tax rate has been adopted.

4. **Approve audit for fiscal year ended March 31, 2010.** The President recognized Mr. McGrath, who presented to and reviewed with the Board a draft of the audit for fiscal year ending March 31, 2010, a copy of which is attached hereto as Exhibit "E." Upon motion by Director Atchison, seconded by Director Towner, 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, 2010.

5. **Authorize filing of Annual Report on Financial Information and Operating Data.** Ms. Ellison stated that the District is required to make an annual filing of its audit and certain other information with the Municipal Securities Rulemaking Board so that bondholders can view current information on the District. Ms. Ellison stated that the filing must be made by September 30th. The Board reviewed a draft of the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "F." Ms. Ellison stated that F&J will coordinate with the District's auditor, financial advisor and Midway Companies to finalize and file the report. Upon motion by Director Worthy, seconded by Director Hartman, 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.

6. **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 "G." Mr. Lee noted that 97.65% of the District's 2009 taxes had been collected as of July 31, 2010. 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 District's current 2010 certified taxable value is \$69,900,000, which is a decrease of approximately \$19,000,000 from 2009. Mr. Lee noted that there is approximately \$2,000,000 in taxable value that is still uncertified.

7. **Consider Order Designating Officer to Calculate and Publish Tax Rate.** The President recognized Mr. Howell, who presented to and reviewed with the Board the financial advisor's debt service cash flow analysis and recommendation for setting the tax rate, copies of which are attached hereto as Exhibit "H." Extensive discussion ensued. The financial advisor indicated that the District could retain its tax rate in the amount of \$0.50 per \$100 assessed valuation (\$0.40 to debt service and \$0.10 to operating and maintenance) for the short-term. He noted that a tax rate of \$0.5875 would keep the average homeowner's tax bill constant with last year. The Board discussed the District's ongoing operational expenses and its 2010 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 2010 (the "Order"), a copy of which is attached hereto as Exhibit "I." 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 Towner, 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 \$0.5875 per \$100 assessed valuation.

8. **Review Delinquent Tax Attorney report and take necessary action in connection with same.** There was no Delinquent Tax Attorney's Report at this time.

9. **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 "J." 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 Bookkeeper's Report, and to authorize payment of the checks identified therein.

10. **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 "K." The Board agreed that no changes to the Investment Policy are needed at this time. 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 adopt the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto.

11. **Authorize execution of easements with General Land Office.** Ms. Ellison reported that the District previously agreed to assume the Developer's duties under the Commercial Coastal Easements between the General Land Office ("GLO") and Harborwalk, L.P. and agreed to pay the annual fees for such easements. Ms. Ellison recommended that such easements now be transferred from Harborwalk, L.P. to the District. 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 authorize the District consultants to coordinate with the GLO to transfer the easements from Harborwalk, L.P. to the District.

12. **Developer's Report.** The President recognized Mr. Steve Pierce, who reported that BBVA Compass hired Midway Companies to operate the Harborwalk project. Mr. Pierce stated that Midway Companies plans to operate the District and the Harborwalk development in substantially the same manner as it had been operating under Harborwalk, LP.

13. **Set next meeting date.** It was the consensus of the Board to hold a special Board meeting on Thursday, September 16, 2010 at 2:00 p.m. at 1301 Harborwalk Boulevard (Yacht Club) to hold the Public Hearing on the tax proposed tax rate.

Discussion ensued regarding locations for posting notices. It was the consensus of the Board that the notices of meetings be posted at both the guard shack and at the marina yacht club.

14. **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 September 16, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)