

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 February 22, 2010, 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. Director Towner entered the meeting in progress. 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. 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 October 8, 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 minutes as presented.

2. **Renew District insurance (expires March 4, 2010).** 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 Worthy, 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. **Adopt Order Calling Directors Election.** The Board reviewed the Order Calling Directors Election and the Notice of Deadline to File Applications for Place on Ballot, copies of which are attached hereto as Exhibit “C.” 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 adopt the Order Calling Directors Election and to approve the Notice of Deadline to File Applications for Place on Ballot posted in the District. The Board asked Mr. Watkins to post the Notice in the District.

4. **Approve Notice of Deadline for Filing Applications for Place on Ballot.** There was no further discussion on this item.

5. **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 "D." Mr. Lee noted that 52.16% of the District's 2009 taxes had been collected as of January 31, 2010 and 72% of the District's 2009 taxes had been collected as of the meeting date. 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 tax assessor and collector's report and to authorize payment of the checks identified therein.

In response to a question, Mr. Watkins stated that the Developer will not pay its District taxes until the bankruptcy court provides for the scheduling of their payment.

6. **Review delinquent tax report and take necessary action in connection with same.** There was no delinquent tax attorney's report at this time.

7. **Adopt Resolution Authorizing Additional Penalty on Taxes. Penalty and Interest remaining delinquent on April 1, 2010 (personal property) and July 1, 2010 (other property).** 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 Authorizing Additional Penalty on Delinquent Taxes remaining delinquent on April 1, 2010 for personal property and remaining delinquent on July 1, 2010 for other property, a copy of which is attached hereto as Exhibit "E."

8. **Adopt Order Authorizing Exemption from Taxation.** No action was taken.

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 "F." Mr. Ideus reported that the District received a check from FEMA in the amount of \$72,317.29 in connection with Hurricane Ike damages. 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 bookkeeper's report, as amended, and to authorize payment of the checks identified therein.

10. **Adopt budget for fiscal year ending March 31, 2011.** The President recognized Mr. Ideus, who presented to and reviewed with the Board a draft budget for fiscal year ending March 31, 2011, a copy of which is attached hereto as Exhibit "G." 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 budget for fiscal year ending March 31, 2011.

11. **Engineer's report and any necessary action regarding construction projects, including status report from Shelmark Engineering, L.L.C. regarding analysis and determination of a maintenance dredging program for the Harborwalk canal system.** 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 "H." Mr. Michna stated that there are no construction projects to report on at this time.

Mr. Michna reported that the Board previously engaged Shelmark to assist the District in the analysis and preparation of a maintenance dredging program for the Harborwalk canal system. Mr. Michna reported that Shelmark is obtaining cost estimates for the creation and placement of excavated materials. Mr. Michna noted that he is coordinating with Parks & Wildlife, which recommended that the District utilize the Pierce Marsh for a disposal site. Mr. Michna reported that Shelmark is reviewing the data for existing topography of the proposed placement site. Discussion ensued.

12. **Authorize necessary maintenance, including dredging and pump maintenance.** There was no further discussion on this item.

13. **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.

14. **Developer's Report.** Mr. Watkins reported that Harborwalk had to file Chapter 11 because its bank, BBVA Compass Bank, declined to make advances. Discussion ensued.

15. **Set next meeting date.** Discussion ensued. It was the consensus of the Board to tentatively schedule the next meeting for Thursday, April 8, 2010. Ms. Christensen stated that the Board will need to cancel the Directors Election at such meeting, if applicable.

16. **Other Matters.** The Board reviewed the proposed auditor engagement letter for the fiscal year ending March 31, 2010, a copy of which is attached hereto as Exhibit "I." Ms. Christensen stated that the auditing fees for last year totaled \$9,100. Ms. Christensen stated that the estimated auditing fees for fiscal year ending March 31, 2011 will be approximately \$9,100. 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 engage McGrath & Co., PLLC to perform the District's audit for fiscal year ending March 31, 2011 and to authorize the President to execute the auditor engagement letter.

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 April 8, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)