

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 Harborwalk Yacht Club, 1301 Harborwalk Boulevard, Hitchcock, Texas, on October 14, 2010, at 2:00 p.m.; whereupon the roll was called of the directors, to-wit:

Arnold J. Cross, Jr., President
Ronald Ray Holley, Vice President
Richard Couch, Secretary
Michael L. Andries, Treasurer
Donald P. Tarpey, Assistant Secretary

All members of the Board were present except Director Andries. 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; Ms. Donna Bryant of Assessments of the Southwest, tax assessor and collector for the District; Mr. Marcus Michna of Shelmark Engineering, LLC, engineer 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 September 16, 2010.** Upon motion by Director Tarpey, seconded by Director Holley, 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. Jeff Dolen (20 Loggerhead), who expressed his concerns regarding the condition of the District’s bulkhead caps and the channel markers/floating buoys. Mr. Dolan recommended permanent markers.

There were no additional comments from the public at this time.

3. **Follow-up on Public Comments.** The President stated that he wanted the Board to address all public comments but that the Open Meetings Act requires the Board to post prior notice of items discussed by the Board. The President said he thought Mr. Dolen’s concerns would be addressed under the Engineer’s Report, but if not, an item will be placed on the next meeting agenda for further discussion and necessary action.

4. **Tax Assessor and Collector report and payment of bills.** The President recognized Ms. Bryant, who reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "C." Ms. Bryant noted that 97.84% of the District's 2009 taxes had been collected as of September 30, 2010.

Director Tarpey requested that the consultants email their meeting reports to the Directors prior to the meeting for review.

Director Tarpey inquired on the ownership of the canals, the basin, and the marina. Discussion ensued. Ms. Ellison noted that the District does have an easement in order to maintain the canals. Ms. Bryant stated that she will determine the owner of such properties.

Director Tarpey inquired on the types of values reflected on the Tax Assessor and Collector's Report and requested that the market values always be included in Assessment Summary Reports. Director Tarpey also requested that the Tax Assessor and Collector provide ownership information for the roads in the District and whether such roads are taxable.

In response to a question from Director Tarpey, Ms. Bryant explained the process for the collection of delinquent taxes. The Board directed the Tax Assessor and Collector to provide the Board with the a status report on the collection of delinquent taxes at the next Board meeting.

Discussion ensued regarding the property owner's association in Harborwalk ("POA"). The Board requested that the Tax Assessor and Collector provide a copy of the Galveston County Appraisal District's tax roll for the District.

Upon motion by Director Couch, seconded by Director Tarpey, 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. **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 "D."

Discussion ensued regarding the use of the \$88,762.44 in surplus construction funds to fund District projects such as bulkhead repairs and dredging. Ms. Ellison stated that the District can utilize the funds for projects once the TCEQ approves the projects. Ms. Ellison noted that the District can utilize Operating Funds for the projects now and then reimburse the Operating Fund with the surplus Construction Fund moneys once TCEQ approval is obtained. Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District's Engineer and Attorney to proceed to obtain TCEQ approval of use of surplus construction funds in the amount of \$88,762.44 to pay for either bulkhead repairs or dredging, to evidence its intent to use the surplus constructions funds for such projects upon TCEQ approval, and to authorize reimbursement of the District's Operating Fund from the surplus Construction Fund moneys upon receipt of TCEQ approval of the project.

In response to discussion regarding the District's financial obligations, Ms. Ellison stated that she will prepare some background information for the Board to review.

Discussion ensued regarding the District's investments. It was the consensus of the Board that the Bookkeeper provide the Board with a summary of options for local investment of District funds currently invested with TexPool. The Board also directed the Bookkeeper to transfer some funds in TexPool to First Bank in Hitchcock, Texas, to the extent feasible.

Upon motion by Director Couch, seconded by Director Holley, 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.

6. Engineer's report and any necessary action regarding bulkhead system repairs, bulkhead cap work and fill, and maintenance dredging project. 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 "E."

Mr. Michna presented to and reviewed with the Board the bid tabulation of the proposals received for the 1) bulkhead system repairs (estimated cost not to exceed \$50,000) and 1) bulkhead cap work and fill (estimated cost not to exceed \$15,000, copies of which are attached to the Engineer's Report. Mr. Michna reviewed with the Board a map reflecting the location of the bulkhead repairs, a copy of which is attached to the Engineer's Report. Extensive discussion ensued regarding the bids and contract time for the bulkhead system repairs. In response to a question, Mr. Michna stated that he will incorporate the locations of District facilities on a District map. Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for the bulkhead system repairs to the low bidder for a cost not to exceed \$50,000, subject to the District Engineer's receipt of revised bids based on a fixed fee to make all ten repairs.

Discussion ensued regarding the bids submitted for the bulkhead cap work and fill. Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for the bulkhead cap work and fill to the low bidder, Craftmaster Construction, in the amount of \$14,700.

Mr. Michna reviewed with the Board a map depicting the proposed maintenance dredging of the North Canal (total cut equal to 4,000 cubic yards, bringing the depth to seven feet), a copy of which is attached to the Engineer's Report. Mr. Michna reported that only one bid had been received so far for the maintenance dredging project (cost not to exceed \$50,000). Mr. Michna reported that the one bid received is in excess of \$100,000. Mr. Michna stated that he will attempt to obtain additional bids for the project and present a bid tabulation at the next Board meeting. In response to a question, Mr. Michna stated that it would cost approximately \$200,000 to dredge both the North and South canals to a depth of ten feet. In response to a question, Mr. Michna stated that the buoy/channel marker repairs are included in the project specifications. Mr. Michna stated that he will obtain separate bidding for the buoy/channel marker repairs, including an estimate for the installation of permanent markers. Discussion

ensued. The Board directed the Engineer to contact the owner of the sand pit to see if there is sufficient space for dredged spoils disposal.

Mr. Michna reported that he is in the process of obtaining a cost estimate for the paint to coat the bulkhead caps.

7. **Discuss annual maintenance program and take necessary action in connection with same.** The Board discussed maintenance and dredging needs. Mr. Michna discussed the need for a disposal site for the dredged material.

8. **Discuss and take necessary action in connection with development of District website.** The Board reviewed two proposals for development and hosting of the District website, copies of which are attached hereto as Exhibit "F." Discussion ensued. Upon motion by Director Couch, seconded by Director Tarpey, after full discussion and the question being put to the Board, the Board voted unanimously to accept the proposal from The Texas Network to design and host a District website. Ms. Christensen stated that she will coordinate with The Texas Network regarding the initial set up of the District's website.

9. **Adopt Resolution Amending Code of Ethics, Fees and Expense Policy, Policies and Procedures for Selection and Review of Consultants, Policies Concerning the Use of Management Information, Including the Formation of an Audit Committee and Certain Other Matters.** The Board tabled this item until the next Board meeting.

10. **Adopt Resolution Designating Meeting Locations and Location of Posting Meeting Notices.** The Board reviewed a draft Resolution Designating Meeting Locations and Location of Posting Meeting Notices, a copy of which is attached hereto as Exhibit "G." Discussion ensued. It was the consensus of the Board to have meeting agendas posted at both the Harborwalk Yacht Club (1301 Harborwalk Boulevard) and outside the Ship Store (1445 Harborwalk Boulevard), but that the Ship Store would become the "official" posting location since it is accessible to residents at all times. Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Designating Meeting Locations and Location of Posting Meeting Notices.

11. **Report on 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 the District obtain an assignment of the easements. Mr. Michna stated that he is in the process of determining the current holder of the easements.

12. **Attorney's report.** Ms. Ellison recommended that each Director own property in his individual name, rather than in the name of a corporation or other legal entity, in order to qualify for the Board.

13. **Developer's Report.** The President recognized Mr. Pierce, who reported that Midway Companies is planning for a new billboard and directional signs for Harborwalk.

14. **Set next meeting date.** It was the consensus of the Board to tentatively schedule the next Board meeting for Thursday, November 18, 2010 at 2:00 p.m. at 1301 Harborwalk Boulevard (Yacht Club).

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 November 18, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)