

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 September 16, 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. 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. 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 August 12, 2010.** 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. **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 “C.” Mr. Lee noted that 97.84% of the District’s 2009 taxes had been collected as of August 31, 2010. 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.

3. **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.” 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 the Bookkeeper's Report, and to authorize payment of the checks identified therein.

4. **Public comments.** Mr. Cross thanked the Board for their dedication and service to the District.

5. **Accept Resignation of Director and Appoint and Qualify New Director to Fill Vacancy.** Ms. Ellison reviewed the requirements for serving as a Director of the District.

Director Hartman submitted his resignation to the Board, a copy of which is attached hereto as Exhibit "E." Upon motion made by Director Worthy, seconded by Director Towner, after full discussion and the question being put to the Board, the Board voted unanimously to accept the resignation of Director Hartman. Ms. Ellison noted that Mr. Donald Tarpey had executed a statement of appointed official and has indicated he meets the qualifications to serve as a director of the District. Upon motion made by Director Towner, seconded by Director Atchison, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mr. Tarpey to fill Director Hartman's unexpired term through May 2012. Director Tarpey then executed his oath of office, qualifying him to serve.

6. **Accept Resignation of Director and Appoint and Qualify New Director to Fill Vacancy.** Director Atchison submitted his resignation to the Board, a copy of which is attached hereto as Exhibit "F." Upon motion made by Director Towner, seconded by Director Worthy, after full discussion and the question being put to the Board, the Board voted unanimously to accept the resignation of Director Atchison. Ms. Ellison noted that Mr. Arnold J. Cross, Jr. had executed a statement of appointed official and has indicated he meets the qualifications to serve as a director of the District. Upon motion made by Director Towner, seconded by Director Worthy, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mr. Cross to fill Director Atchison's unexpired term through May 2014. Director Cross then executed his oath of office, qualifying him to serve.

7. **Accept Resignation of Director and Appoint and Qualify New Director to Fill Vacancy.** Director Worthy submitted his resignation to the Board, a copy of which is attached hereto as Exhibit "G." Upon motion made by Director Cross, seconded by Director Tarpey, after full discussion and the question being put to the Board, the Board voted unanimously to accept the resignation of Director Worthy. Ms. Ellison noted that Mr. Michael Andries had executed a statement of appointed official and has indicated he meets the qualifications to serve as a director of the District. Upon motion made by Director Towner, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mr. Andries to fill Director Worthy's unexpired term through May 2014. Director Andries then executed his oath of office, qualifying him to serve.

8. **Accept Resignation of Director and Appoint and Qualify New Director to Fill Vacancy.** Director Towner submitted his resignation to the Board, a copy of which is attached hereto as Exhibit "H." Upon motion made by Director Cross, seconded by Director Tarpey, after full discussion and the question being put to the Board, the Board voted

unanimously to accept the resignation of Director Towner. Ms. Ellison noted that Mr. Richard Couch had executed a statement of appointed official and has indicated he meets the qualifications to serve as a director of the District. Upon motion made by Director Cross, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mr. Couch to fill Director Towner's unexpired term through May 2014. Director Couch then executed his oath of office, qualifying him to serve.

9. **Accept Resignation of Director and Appoint and Qualify New Director to Fill Vacancy.** Director Corona submitted his resignation to the Board, a copy of which is attached hereto as Exhibit "I." Upon motion made by Director Andries, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to accept the resignation of Director Corona. Ms. Ellison noted that Mr. Ronald Holley had executed a statement of appointed official and has indicated he meets the qualifications to serve as a director of the District. Upon motion made by Director Cross, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mr. Holley to fill Director Corona's unexpired term through May 2012. Director Holley then executed his oath of office, qualifying him to serve.

10. **Election of Officers.** Consideration was next given to the election of officers of the Board. Discussion ensued. Upon motion made by Director Andries, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to nominate Director Cross to the office of President, Director Holley to the office of Vice President, Director Couch to the office of Secretary, Director Andries to the office of Treasurer, and Director Tarpey to the office of Assistant Secretary.

The new slate of officers is as follows:

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

11. **Public hearing on tax rate.** The President opened the hearing on the proposed 2010 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." The Board discussed the District's ongoing operational expenses and its 2010 taxable value. In response to some discussion regarding the District's financial obligations, Mr. Howell and Ms. Ellison stated that they will provide the Board with copies of the District's official statement from the 2007 bond issue and documents related to developer reimbursement. The Board then heard comments on the proposed tax rate from residents and the public hearing was closed.

12. **Adopt Order Setting Tax Rate and Levying Tax for 2010.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2010, a copy of which is attached hereto as Exhibit "K." Ms. Ellison reported that, according to the tax assessor and collector, the Notice of Public Hearing on the Tax Rate was published. Upon motion by Director Andries, seconded by Director Holley, after full discussion and the question being put to the Board, the

Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2010, thereby levying a tax rate of \$0.5875 per \$100 assessed valuation (\$0.40 for debt service and \$0.1875 for operations and maintenance).

The Board said they wanted to inform taxpayers of the rationale for the new tax rate. Ms. Ellison said she could get labels from the tax assessor and prepare a letter for the Board's consideration. Upon request of Director Couch, Ms. Christensen said she could give the directors information about establishing a website so that taxpayers have easy access to District information.

13. **Approve filing of Amendment to District Information Form (tax rate change).** The President recognized Ms. Ellison, who presented to and reviewed with the Board an Amendment to District Information Form, a copy of which is attached hereto as Exhibit "L," reflecting the tax rate change. 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 Amendment to District Information Form and to authorize its filing in the real property records of Galveston County.

14. **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 "M." Mr. Michna reported that he has requested three proposals for the 1) bulkhead cap work and fill (estimated cost not to exceed \$15,000), 2) bulkhead system repairs (estimated cost not to exceed \$50,000), and 3) maintenance dredging – plan C (estimated cost not to exceed \$50,000). Mr. Michna stated that he anticipates receipt of three bids by October 1, 2010.

Director Tarpey said that all construction project plans and bid tabulations should be presented to the Board for review and approval and that the Board should formally award construction contracts. 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 direct Mr. Michna to provide the Board with bid tabulations for the three proposals he described so that the Board can consider the bids and award the contracts.

The Board discussed maintenance and dredging needs. Mr. Michna discussed the need for a disposal site for the dredged material. The Board asked Mr. Michna to be prepared to discuss these subjects in more detail at a subsequent meeting.

15. **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 previously recommended that such easements be transferred from Harborwalk, L.P. to the District. Mr. Michna stated that he will determine the current holder of the easements.

16. **Attorney's report.** Ms. Ellison reported that under the Texas Government Code, the Directors are required to complete training regarding the responsibility of

their District under the Texas Public Information Act and the Texas Open Meetings Act. Ms. Ellison stated that the Directors must complete the training within 90 days of appointment.

Director Tarpey asked if directors were entitled to compensation as directors. Ms. Ellison said that directors are entitled to a per diem of \$150 per day of service. Director Tarpey said he did not believe the directors of the District should be compensated, and the other Directors agreed. 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 decline per diems for their services as Directors of the Board and to require that all Directors obtain Board approval for any District or meeting related expenses.

17. **Developer's Report.** The President recognized Mr. Steve Pierce, who reported CenterPoint Energy is installing the underground utilities in Harborwalk, Section 6. The Board then discussed the potential for future development in the District and the obligations the District would have to build and maintain bulkhead.

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

19. **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 October 14, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)