

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 February 2, 2012, at 1:00 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 Holley, who entered the meeting in progress. Also attending all or portions of the meeting were Mr. Mark Burton of Municipal Accounts & Consulting, L.P. (“Municipal Accounts”), bookkeeper for the District; Mr. Marcus Michna of Shelmark Engineering, LLC (“Shelmark”), engineer for the District; Ms. Donna Bryant of Assessments of the Southwest, tax assessor and collector for the District; Ms. Carla Christensen, paralegal, 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 December 8, 2011.** Upon motion by Director Tarpey, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as presented.
2. **Discussion regarding Public Comments from prior meetings.** The President noted that there were no public comments from the previous meeting that needed to be addressed.
3. **Public Comments.** There were no comments from the public at this time.
4. **Hear presentation from proposed new developer of Harborwalk development and consider actions requested by such developer, including Amended and Restated Master Financing Agreement between the District, Harborwalk, LP and Legend Communities.** The President reported that Legend Communities would not be at the meeting to make a presentation because they are still resolving issues with the Amended and Restated

Master Financing Agreement (the "Agreement"). The President reported that he and Director Andries have been coordinating with Ms. Ellison and Legend Communities regarding the draft of the Agreement.

The Board discussed the draft Agreement.

Director Holley entered the meeting at this time.

The Board agreed to the following in connection with the Agreement:

a) Section B of the Agreement should specify the developer's expectations for the District's use of the \$400,000 in New Operating Costs;

b) Section H of the Agreement should not limit the District's ability to set the debt service tax rate (draft Agreement currently states "...at a debt service tax rate determined by the Board, which is currently expected to be no less than \$0.40 per \$100 valuation and no more than \$0.69 per \$100 valuation."); and

c) The Agreement should address how the District will be reimbursed the approximately \$10,000 previously paid to repair the Harborwalk, Section 6 bulkheads.

It was the consensus of the Board to hold a special meeting when all other parties have indicated their agreement to the final draft of the Agreement so that the Board can review the final draft of the Agreement and approve the Agreement, subject to the closing on the property.

5. **Renew District insurance (expires March 4, 2012).** The Board reviewed the renewal insurance proposal with TML from Harco Insurance Services, a copy of which is attached hereto as Exhibit "C."

Director Andries inquired whether the District owns the bulkhead facilities, and if so, should such bulkhead facilities be insured by the District. Ms. Christensen stated that she will check with Ms. Ellison on such matter.

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 approve and authorize execution of the renewal insurance proposal with TML from Harco Insurance Services.

6. **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 "D." Ms. Bryant noted that 98.8% of the District's 2010 taxes and 78.10% of the District's 2011 taxes had been collected as of January 31, 2012.

Ms. Bryant stated that she will request a delinquent tax attorney status report to present at the next Board meeting.

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

7. **Discuss and take necessary action in connection with 2012 property value challenges (for commercial property and Harborwalk Section 6 lots).** Ms. Bryant noted that it is too early to challenge the 2012 property values because the preliminary values for 2012 have not yet been released. It was the consensus of the Board that the District's tax assessor and collector provide F&J with a form of the required Resolution to Challenge Property Values and that such Resolution be presented for adoption at the next Board meeting.

8. **Adopt Resolution Authorizing Additional Penalty on Taxes, Penalty and Interest remaining delinquent on April 1, 2012 (personal property) and July 1, 2012 (other property).** 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 Resolution Authorizing Additional Penalty on Delinquent Taxes remaining delinquent on April 1, 2012 for personal property and remaining delinquent on July 1, 2012 for other property, a copy of which is attached hereto as Exhibit "E."

9. **Discuss and take necessary action in connection with Order Authorizing Exemption from Taxation.** The President reported that the Board may establish a homestead exemption for all residents or may establish an exemption for persons who are 65 years of age or older or disabled. Ms. Bryant noted that there are 24 homes that would qualify for the homestead tax exemption and five homes that would qualify for the over 65/disabled tax exemption. Upon motion by Director Tarpey, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously not to adopt any tax exemptions at this time.

10. **Bookkeeper's report and payment of bills.** Mr. Burton presented to and reviewed with the Board the Board the Bookkeeper's Report for the period ending February 2, 2012 and the quarterly investment report, copies of which are attached hereto as Exhibit "F."

Mr. Burton explained that Texas First Bank requires the District to sign an indemnity agreement with the bank before it will agree to pledge collateral to secure the District's funds invested at the bank in excess of \$250,000. Mr. Burton stated that since the District does not want to indemnify the bank, approximately \$15,455.95 of debt service funds will remain invested in TexPool.

The Board discussed billing Legend Communities for the District's legal costs associated with the negotiation of the Agreement, including any special meetings to be held in connection with the matter. It was the consensus of the Board to request Legend Communities to agree, in writing, to the payment of the District's legal costs associated with the Agreement and Legends' purchase of property and submit a deposit to the District in an amount to be determined by Ms. Ellison to cover anticipated legal costs. Upon motion by Director Andries, seconded by Director Tarpey, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Burton to coordinate with Ms. Ellison to prepare a letter agreement to be sent to Legend Communities.

Mr. Burton presented to and reviewed with the Board a draft budget for fiscal year ending March 31, 2013, a copy of which is attached to the Bookkeeper's Report. Extensive discussion ensued. It was the consensus of the Board to review the proposed budget and consider adoption of the budget at the next Board meeting.

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 approve the Bookkeeper's Report and to authorize payment of the checks identified therein.

11. Engineer's report and authorization of capital improvement and maintenance actions, including change order on dredging contract. 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 "G."

Mr. Michna reported that the bulkhead inspections were conducted on January 27, 2012. Mr. Michna noted that the areas repaired under the 2011 contract with Shirley and Sons Construction were also inspected for warranty work and no additional warranty work is necessary. Mr. Michna presented to and reviewed with the Board a proposed list of 2012 repair items and photographs and a list of previous bulkhead repair locations, copies of which are attached to the Engineer's Report. The Board discussed necessary repairs needed to the bulkheads and the maintenance budget for 2012-2013. Mr. Michna stated that repairs are recommended at 15 locations. Mr. Michna noted that in 2011, repairs were made at 24 locations for a cost of \$49,200 (average cost per repair was \$2,050). Director Andries noted that the boat ramp appears to need repairs. Director Cross stated that the District should wait and see if the new developer will address the necessary repairs needed at the boat ramp. Upon motion by Director Tarpey, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to authorize Shelmark Engineering to obtain at least three proposals for bulkhead repairs for the Board's consideration at the next Board meeting.

Mr. Michna presented to and reviewed with the Board the previously adopted 20-year and five-year maintenance budgets, copies of which are attached to the Engineer's Report. Discussion ensued. It was the consensus of the Board that Mr. Michna coordinate with Director Andries and Mr. Burton to revise the five-year maintenance budget to more accurately reflect bulkhead repair costs. Mr. Michna noted that it is also likely that the bulkhead cap maintenance budget can be decreased.

The Board then discussed the missing "no-wake" buoys and additional "slow/no wake" signage. Director Tarpey stated that two "no-wake" buoys are needed at the main channel and one is needed at the south entrance and that the south entrance navigation buoys are out of place. Director Tarpey stated that it will cost approximately \$3,500-\$4,000 to obtain the buoys and signs. Director Tarpey stated that he spoke to a contractor who resides within the development, Mr. Jeff Dolan, who agreed to install the necessary "no-wake" buoys and additional "slow/no-wake" signs for free. Upon motion by Director Holley, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted four to one, with Director Tarpey abstaining, to authorize Director Tarpey to coordinate with Mr. Dolan to have the necessary buoys and additional signs installed.

Mr. Michna recommended that the Board consider authorizing him to advertise for bids to have a post-recovery disaster contract in place for debris removal in the event of a hurricane. It was the consensus of the Board for the Engineer to advertise for bids for a post-recovery disaster contract prior to hurricane season.

12. **Discuss and take necessary action in connection with bulkhead inspection report.** There was no further discussion on this matter.

13. **Confirm next meeting date.** It was the consensus of the Board to tentatively schedule the next Board meeting for Thursday, March 8, 2012 at 1:00 p.m. at 1301 Harborwalk Boulevard (Yacht Club). The Board noted that if a meeting is necessary prior to March 8, 2012 for discussion related to Legend Communities, then a special meeting can be called.

14. **Document Public Comments for next Board meeting discussion.** The President noted that there were no public comments that need to be addressed for the next Board meeting.

15. **Other Matters.** There were no other matters to come before the Board at this time.

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 March 8, 2012.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)