

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 §

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 Floyd's on the Water, formerly Harborwalk Yacht Club, 1301 Harborwalk Boulevard, Hitchcock, Texas, on December 9, 2014 at 2:30 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
Jane O. McKenzie, Assistant Secretary

All members of the Board were present, except Director Holley and Couch. Also attending all or portions of the meeting were Ms. Donna Bryant of Assessments of the Southwest ("ASW"), tax assessor and collector for the District; Mr. Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Ms. Cindy Grimes of Municipal Accounts & Consulting, LP, bookkeepers for the District; Mr. Hunter Fendley of Legend Communities, Inc. ("Legends"), developer for the District; Ms. Marian Cross, District resident; Mac DeLaup, District resident; and Ms. Kathleen Ellison of Fulbright & Jaworski LLP ("F&J"), a member of Norton Rose Fulbright, 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 at 2:33 p.m. and the following business was transacted.

1. **Welcome.** The President welcomed Mr. DeLaup to the Board to replace Director Couch, who did not run for re-election.
2. **Operational Excellence: Open meetings/open records.** The President recognized Ms. Ellison, who reviewed with the Board a summary of the open meetings and open records acts. Director Andries explained that a "walking quorum" has been determined to be an open meetings violation.
3. **Discussion regarding Public comments from prior meetings.** There were no comments from the previous meeting for discussion.
4. **Public Comments.** There were no comments from members of the public at this time.
5. **Approval of Minutes of October 7, 2014.** Proposed minutes of the meeting of October 7, 2014, previously distributed to the Board, were presented for review and approval.

Mr. Fendley asked that the minutes be corrected to change the references to "Legends" on the second and third pages of the minutes to "Harborwalk Development." He explained that Legends is not the entity financing development in Harborwalk. Upon motion by Director Andries, seconded by Director McKenzie, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as revised.

6. **Developer's Report.** The President recognized Mr. Fendley, who reviewed the status of development in the District with the Board. He reported that Legends is working on the financing for the bungalow lots and lighting up the entrance to Harborwalk. Director Cross asked if builders are allowed to work on Sundays. Mr. Fendley said he would check.

7. **Qualify Directors and Elect Officers.** Certificates of Election were presented for the election of Director Andries, Director Cross, and Director DeLaup to the Board. Ms. Ellison said that such Directors had now executed their Statement of Officer and Oath of Office, thereby qualifying them to serve on the Board.

The President opened discussion to election of officers for the new term of office. Director McKenzie said she was interested in running for President. Director Andries asked Director Cross if he was willing to act as Secretary, and Director Cross said he would. Upon motion by Director DeLaup, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to elect the following slate of officers: Director McKenzie, President; Director Holley, Vice President; Director Cross, Secretary; Director Andries, Treasurer; and Director DeLaup, Assistant Secretary.

It was the consensus of the Board that it was more convenient to schedule regular meetings on Friday.

8. **Review letter regarding disclosure of Director information.** Ms. Ellison reviewed with the Board a letter regarding disclosure of Director information, a copy of which is attached hereto as Exhibit "B", and said that Board members could execute such letter to limit disclosure of certain personal information to the general public. Upon motion by Director DeLaup, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the letter by members of the Board.

9. **Renew District Insurance.** The Board reviewed a renewal insurance proposal submitted by Harco Insurance Services, a copy of which is attached hereto as Exhibit "C." Upon motion by Director Andries, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the proposal for coverage through the period ending March 3, 2016.

10. **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 the District had collected 13.21% of its 2014 taxes as of November 30, 2014. Upon motion by Director Cross, seconded by Director DeLaup, 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.

11. **Review delinquent tax attorney's report and take necessary action in connection with same.** Ms. Bryant noted that there are no recommendations from the delinquent tax attorney at this time. In response to a question from Director Andries, Ms. Bryant reviewed the delinquent tax collection process.

12. **Bookkeeper's report and payment of bills.** The President recognized Ms. Grimes, who reviewed with the Board the Bookkeeper's report dated December 9, 2014, the budget comparison, and the quarterly investment report for the period ending September 30, 2014, copies of which are attached hereto as Exhibit "E." Upon motion by Director DeLaup, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's report and authorize payment of the checks identified therein, and to approve the quarterly investment report for the period ending September 30, 2014 as presented.

13. **Engineer's report and authorization of capital improvement and maintenance actions.** 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 "F."

Mr. Michna said he currently had authorization from the Board to approve bulkhead repairs in an amount not to exceed \$10,000 and that such authorization should be sufficient at the present time. Mr. Michna then explained to Director DeLaup that the District has established a policy on bulkhead repairs, which he then described.

a. **Review and discuss results of inspections:**

(1) **Annual Bulkhead Inspection.** Mr. Michna requested approval to conduct the annual bulkhead inspection for \$2,500.00. He noted that following the annual inspection, the engineer will prioritize needed repairs, with areas of new construction and the most severe problems being addressed first.

(2) **Pre-development Lot Inspection.** Mr. Michna reviewed with the Board the 2014 pre-development lot inspection schedule, attached as Exhibit A to his report. There was no action on this item.

(3) **New Construction Inspection.** Mr. Michna reviewed with the Board the New Construction Inspections Schedule, attached as Exhibit B to his report. There was no action on this item.

(4) **Dredging.** Mr. Michna noted that the current 5 year budget is attached as Exhibit C to his report. Mr. Michna presented to and reviewed with the Board the data from the dredging survey of the main channel and the south channel, a copy of which is attached to the Engineer's Report as Exhibit D. Mr. Michna reported that the south channel needs dredging. Mr. Michna said the main channel was 150 feet wide, which is much wider than normal. He recommended dredging the main channel to make it deeper and narrower. It was the consensus of the Board to dredge the middle 50 feet of the main

channel to a depth of 8 feet during normal operation and to undertake such project in April, 2015.

- b. **Request authorization for repairs.** There was no action on this item.
- c. **Review proposals/bids and award contracts.** There was no action on this item.
- d. **Approve pay estimates, change orders, and final acceptance as appropriate.** There was no action on this item.

Upon motion by Director Cross, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District engineer to perform the annual bulkhead inspection for a cost of \$2,500.

The Board then asked about the status of a swimming pool which Mr. Toby Guidney would like to construct in the bulkhead easement and expressed concern that it would adversely affect the bulkhead. Mr. Michna said that the pool will put a vertical load on the piling and the deadmen or tiebacks will need to be adjusted. Mr. Michna said he planned to address the issue with Mr. Guidney in the following manner:

- 1 Pre-design meeting with Mr. Guidney and design professional to discuss the bulkhead system, give exhibits of the bulkhead, give a form of Consent to Encroachment which Mr. Guidney will be required to sign, and review District approval procedures;
- 2 Review pool design and sealed pool construction plans;
- 3 Verify receipt of construction inspection fees due to District;
- 4 Pre-construction inspection; and
- 5 Post-construction inspection.

Ms. Ellison said she would prepare a form of Consent to Encroachment. She described the terms of such instrument to the Board.

Upon motion by Director Cross, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

14. **Discuss ways to improve resident notification of election procedure.** This item was deferred.

15. **Attorney report on District statutes and agreement.** Ms. Ellison reviewed with the Board and Mr. Fendley its Amended and Restated Master Financing Agreement with Haborwalk L.P. Director Andries asked Mr. Fendley to make sure the Board is provided with proposed construction plans in a timely manner.

16. **Review compliance with post issuance tax requirements.** Ms. Ellison reviewed with the Board the arbitrage rebate and yield restriction report on the District's \$4,490,000 Unlimited Tax Bonds, Series 2007, a copy of which is attached hereto as Exhibit "G."

17. **Discuss and take necessary action in connection with receipt of website correspondence and emails.** There was no action on this item.

18. **Confirm next meeting date.** It was the consensus of the Board to schedule the next regular meeting for Friday, March 6, 2015 at 1:00 p.m. and to hold a special meeting with the engineer only on February 13, 2014 at 4:00 p.m.

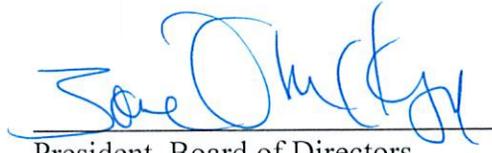
19. **Document Public Comments for next Board meeting discussion.** There were no comments.

20. **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.

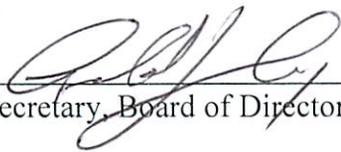
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The foregoing minutes were passed and approved by the Board of Directors on March 6, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

