

AMENDED MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
June 12, 2018

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 regular session, open to the public, at former Harborwalk Restaurant, 1301 Harborwalk Boulevard, Hitchcock, Texas, on June 12, 2018 at 1:00 p.m.; whereupon the roll was called of the directors, to-wit:

Jane O. McKenzie, President
Beverly Holmes, Vice President
Arnold J. Cross, Jr., Secretary
Michael L. Andries, Treasurer
Mac DeLaup, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Cindy Grimes of Municipal Accounts & Consulting, bookkeeper for the District; Donna Bryant of Assessments of the Southwest, Inc., tax assessor and collector for the District; Marcus Michna and Peter Clark of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Tim Connolly of Corporate Strategies, LLC; Angela Levinar, new owner of the commercial property in Harborwalk; Mark McGrath of McGrath & Co., auditor for the District; Mr. John Howell of The GMS Group, L.L.C., financial advisor for the District; Mr. Haythem Dawlett of Legend Communities, Inc., acting for HD Flamingo Isles Holdings, L.P. (the "Developer"; Mr. Lynn Watkins, former developer and resident of Harborwalk; Mr. Frank Schilero, manager of Harborwalk POA; and Kathleen Ellison and Amanda Dykmann of Norton Rose Fulbright US LLP ("NRF"), 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. **Approve Minutes of February 2, 2018 and February 24, 2018.** Proposed minutes of the meetings of February 2, 2018, previously distributed to the Board, were presented for review and approval. 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 approve the minutes of February 2, 2018, as presented. Proposed minutes of the meetings of February 24, 2018, previously distributed to the Board, were presented for review and approval. Upon motion by Director DeLaup, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of February 24, 2018, as presented.

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2. **Receive public comments.** Mr. Schilero asked about the demonstration of the new bulkhead caps. Director Holmes stated the website was not working properly. Ms. Ellison stated she would contact The Texas Network to look into the issue.

3. **Developer Report.** The President recognized Mr. Dawlett, who reported that the Levinars had bought the commercial property in the District. The Board thanked the Levinars for allowing them to use the restaurant facility for the meeting.

4. **Consent to assignment of interest of HD Flamingo Isles Holdings, LP under Amended and Restated Master Financing Agreement and related matters.** The President recognized Mr. Connolly, who stated Ersa Grae Corporation is planning to buy the residential portions of Harborwalk currently owned by the Developer and the Developer's lender has consented to the sale. He said the Developer is keeping 8.8 acres to be used for mitigation. Ms. Ellison said that the Developer was seeking Board consent to removal of the 8.8 acres from the Amended and Restated Master Financing Agreement (the "Master Financing Agreement") and assignment of the Developer's rights in the Master Financing Agreement to Ersa Grae Corporation.

Discussion ensued regarding the District's reimbursement obligation under the Master Financing Agreement and whether there would be any duplication with reimbursements provided by Reinvestment Zone No. 1 (the "TIRZ"). Ms. Ellison said she would provide some information to the Board on the obligations of each party. 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 an amendment of the Master Financing Agreement to remove 8.8 acres and to consent to the assignment of the Developer's rights under the Master Financing Agreement to Ersa Grae, contingent upon closing of the property sale.

5. **Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale.** The President recognized Mr. Howell, who presented to and reviewed with the Board a Debt Service Cash Flow, Official Notice of Sale, and Preliminary Official Statement for the District's Unlimited Tax Bonds, Series 2018 A (the "Bonds"), copies of which are attached hereto as Exhibit "B." Mr. Howell then presented to and reviewed with the Board certain disclosures required by Municipal Securities Rulemaking Board Rule G-23 and G-42, copies of which are attached hereto as Exhibit "C."

Ms. Ellison then presented to the Board an Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale, a copy of which is attached hereto as Exhibit "D." Upon motion by Director Andries, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Order and authorize distribution of the Preliminary Official Statement and Notice of Sale.

6. **Set Sale Date.** Discussion ensued regarding the date for the sale of the District's Unlimited Tax Bonds, Series 2018 (the "Bonds"). It was the consensus of the Board to set the

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bond sale for July 18, 2018 at 1:00 p.m., at 1301 Harborwalk Blvd., Hitchcock, Texas 77563 and to hold a meeting on August 24, 2018 at 1:00 p.m., at 1301 Harborwalk Blvd., Hitchcock, Texas to disburse Bond proceeds and handle other matters.

7. **Approve audit for fiscal year ending March 31, 2018.** The President recognized Mr. McGrath, who presented to and reviewed with the Board a draft of the audit for the fiscal year ended March 31, 2018, and related management, representation, and material weakness letters, copies of which are attached hereto as Exhibit "E."

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 audit for the fiscal year ended March 31, 2018.

8. **Engage auditor to perform limited scope reimbursement audit.** The President recognized Mr. McGrath who stated the Texas Commission on Environmental Quality ("TCEQ") requires the District to obtain a limited scope review by an auditor in connection with a bond issue. He explained the procedures he would follow.

Mr. McGrath then presented to the Board a revised engagement letter, a copy of which is attached hereto as Exhibit "F." He said the engagement letter was modified to meet new accounting standards and rates had increased by 5%.

Upon motion by Director Andries, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to approve an engagement letter with McGrath & Associates and to engage McGrath & Associates to perform a limited scope review in connection with its bond issue.

9. **Appoint Paying Agent.** Ms. Ellison stated that the District needs to appoint a paying agent for the Bonds. She said the District has used Amegy Bank in the past. Discussion ensued.

Upon motion by Director DeLaup, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Amegy Bank as the paying agent for the Bonds.

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 "G." Ms. Bryant noted that the District had collected 96.48% of its 2017 taxes as of May 31, 2018. Ms. Bryant presented nine checks for the Board's approval.

Upon motion by Director Holmes, 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. Bookkeeper's Report, including payment of bills, and review of budget and investment report. The President recognized Ms. Grimes, who reviewed with the Board the Bookkeeper's report dated June 12, 2018, a copy of which is attached hereto as Exhibit "H."

Ms. Grimes presented checks 1570 through 1577 for the Board's approval.

Upon motion by Director DeLaup, seconded by Director Holmes, 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.

12. Engineer's Report. The President recognized Mr. Michna, who reviewed with the Board the Engineer's Report, a copy of which are attached hereto as Exhibit "I."

Mr. Michna discussed the status of the FEMA reimbursement with the Board. He discussed the possibility of getting a grant from FEMA to install new Thru-Flow bulkhead caps on exterior bulkheads.

Mr. Michna stated he had received the "No Mooring" signs and they would be installed this week.

Mr. Michna said the contract with Putnam Incorporated had been approved and the contractor is about one-third done. Mr. Michna said the bulkhead repairs would be made once Putnam finished its work. Director Andries said he was concerned about the delays in getting work done. Discussion ensued concerning complaints about the contractor's work from the McCarras. It was the consensus of the Board that only the engineer can direct the contractor in the field.

The President asked Mr. Michna to communicate more with the Board on the status of repairs and contractors. Director Andries said the Board should meet more often.

Director DeLaup discussed the ridge in the channel to the marina. Mr. Michna said he would investigate it and talk to the Army Corps.

Mr. Michna asked the Board if it wanted a demonstration of the Thru-Flow bulkhead caps. Upon motion by Director Holmes, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to authorize a demonstration of the Thru-Flow bulkhead caps.

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 approve the engineer's report.

13. Appoint election agent. Ms. Ellison presented to the Board the Appointment of Agent for the 2018 Directors Election and Notice of Deadline to File Applications for a Place on the Ballot, copies of which are attached hereto as Exhibit "H." Ms. Ellison stated Ms. Amanda

Dykman, paralegal, will act as the District's election agent. She stated that the applicants will be able to turn in their applications from July 21, 2018 through August 20, 2018. Upon motion by Director Holmes, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to approve Amanda Dykman as the agent for the 2018 Directors Election, and authorize posting of the Notice of Deadline to File Applications for a Place on the Ballot.

14. **Authorize Filing of Notice of Deadline to File Applications for a Place on Ballot.** This was addressed in the previous item.

15. **Review protocol for response to resident emails.** Ms. Ellison stated she would contact the Texas Network regarding the website issues.

16. **Other Consultant Reports.** Ms. Ellison stated she was contacted by a company who would like to submit a proposal for website services.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 3:40 p.m.

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The foregoing amended minutes were passed and approved by the Board of Directors on September 28, 2018.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

