

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
February 24, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, February 24, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Wayne Scott, President  
Don Cox, Vice President  
Robert Archer, Secretary  
Dale Glazner, Assistant Secretary

and the following absent:

Jim Hembree, Director.

Also present were Delilah Arolfo, Delia Yanez, Andrea Martin, Mandi Guerra, Margarette Chasteen, Robert Santini, Eileen Fashoro, Debbie Shelton, and Lori G. Aylett, attorney for the District.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. Minutes of the meetings of January 20, January 25 and January 27, 2016 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

3. Delia Yanez presented a tax assessor/collector's report. As of the end of January, 2015 taxes were 81.23% collected. As of today, the taxes are 93.86% collected. All prior years were over 99% collected. One wire transfer and 12 checks were presented for the Board's review and approval. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

4. There was presented the attached Resolution Authorizing Challenge to the Appraisal Roll. The attorney noted that the preliminary tax roll comes out in May, and the tax assessor has a limited amount of time to review the roll and challenge any errors or omissions that are found. The tax assessor should be authorized to make such challenges on the District's behalf. Upon unanimous vote, the Board approved the resolution as presented.

5. The Board considered developer reports. Mr. Robert Santini of Friendswood Development gave a report on the status of their development. He noted that he

would attend the meeting when Ethan Springer could not make it. Last week they completed the testing of water, sewer and drainage facilities in Section 8. The Notice to Proceed on paving should begin at the first of March. Detention pond construction will commence next week. In Villas, Section 2, clearing is underway. After clearing is complete, the project will be put on hold until the fall. Sales have slowed in Villas, Section 1. There have been four home sales in 2016, and there have been 22 in all. There have been nine home sales in Seven Oaks South in 2016.

Eileen Fashoro gave a report on the status of Rampart's development activities. Rochester is still proceeding with platting of 15 acres between the two churches on South Diamondhead. Dunhill is proceeding with development of the 9.6 acres on Golf Club at County Club. Lennar is buying three lots in South Diamondhead across from Section 8 to place a model. The model is expected to begin in mid to late March. Rampart is still trying to acquire lots in Section 7, where there are still 45 different landowners.

6. There were no customer service inquiries regarding utility billing for the Board's consideration.

7. Andrea Martin presented a billing and collections report. Total current payments were \$262,454.33, while total current billing was \$238,275.69. Deposits in-house were \$412,876.50. The 30-day arrears were \$47,729.72 at the end of January, and as of today's meeting they were at \$14,896.06. There were 43 new connections in the District, of which 40 were owners and three were renters. Of those new connections, 10 were new homes, and 33 were pre-existing homes. 29 accounts were finalized, and there were 54 vacancies.

Ms. Martin then gave a report on behalf of Aggressive Waste. The garbage contractor issued three yellow tags for non-compliant household trash, and 11 yellow tags were issued for non-compliant heavy trash. One customer complained on Nextdoor Newport about their heavy trash not being picked up. The operator will follow-up with Aggressive.

Upon unanimous vote, the Board approved the billing and collections report as presented.

8. The Board discussed operations and engineering matters. Gregory Katt wants to put a model home up, but the infrastructure is not currently there. The operator will follow rate order procedures with the developer. The engineer met with the Subsidence District regarding the possibility of banking groundwater credits to use in a future year. The District may be able to bank 70 million to 100 million gallons in credits. The engineer is also evaluating the request from MUD 525 for inclusion in the District's Groundwater Reduction Plan.

The operator reported on a District line repair at 16103 Bar Harbor, a home owned by Director Don Cox. The operator confirmed that there is a root ball on the District's side of the sewer main that caused the stoppage. The operator also discovered a collapsed line in the area that will need to be repaired. In the past, the District has reimbursed plumbing costs of residents when the problem has been discovered to be on the District's side of the line. The operator recommended reimbursement of the plumbing charges, which totaled around \$600. After discussion, upon motion made by Director Archer, seconded by Director Glazner, the

Board voted with a vote of three to zero, with Director Cox abstaining, to reimburse the plumbing charges as recommended by the District's operator.

Ms. Arolfo noted that the meter at Water Plant No. 1 tested at 156% on a recent calibration. The meter needs to be replaced. The operator will attempt to persuade the Subsidence District to allow the District to recover some of its permitted allotment, but she is not hopeful that they will concede this point. The operator also reported that McCann Security needs to adjust the gate button to give more time to get out of the park after using the key fob.

The Board reviewed and approved a letter to residents concerning graffiti and vandalism and its impact on the District.

Upon unanimous vote, the Board approved the operations and engineering report as presented.

9. The Board then considered the attached resolution affirming review of the District's Identity Theft Prevention Program. The attorney noted that the District is required to review its program on an annual basis. The attorney and operator had no recommended changes to the program. Accordingly, upon unanimous vote, the resolution was approved by the Board as presented.

10. The Board discussed groundwater reduction pricing. The Board approved a charge of \$3.39 per 1,000 gallons of groundwater credits for the 2017 permit year. Future contracts will be written to include annual Consumer Price Index adjustments for multi-year contracts. Upon unanimous vote, the Board approved the groundwater reduction pricing as presented.

11. Lori Aylett presented an attorney's report. She has heard from the International Union of Operating Engineers, and she expects them to sign the annexation contract by the week's end. In response to a discussion, the attorney confirmed that she had not seen an assignment from Rampart or Newport Golf Club Partners to Stonebridge Newport for the raw water allotment.

The attorney next presented proposed procedures regarding notification of law enforcement after vandalism activities. The Board and operator will review the document and refine it as necessary. Upon unanimous vote, the Board approved the attorney's report as presented.

12. There was no action on the Waiver of Special Appraisal.

13. There was no action on an order to cancel the election, as there were still contested positions. The attorney briefly went over election procedures and the need for election officials and associated costs.

14. Ms. Shelton then discussed the potential for a refunding bond sale which could save the District money. She reviewed the proposed savings with the Board in detail. She then turned to the Preliminary Official Statement and reviewed it in detail with the Board of Directors. She noted that the document describes the District and the proposed bonds in detail.

After a thorough review, upon unanimous vote, the Board approved the Preliminary Official Statement and the Notice of Refunding for the Series 2016 Refunding Bonds.

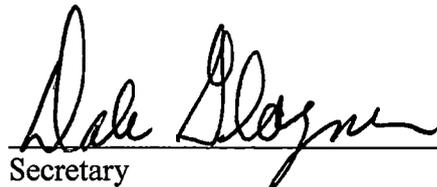
15. Ms. Shelton noted that the District was required to select an underwriter. Upon unanimous vote, the Board selected RBC Capital Markets.

16. The attorney noted that it would be appropriate for the Board to designate District officers authorized to act on behalf of the District in the issuance, sale, approval and delivery of the Series 2016 Refunding Bonds and to carry out all necessary acts and procedures, including, but not limited to, entering into a Bond Purchase Agreement with RBC Capital Markets, entering into a Paying Agent/Registrar Agreement with Bank of New York Mellon Trust Co., entering into an Escrow Deposit Agreement with Bank of New York Mellon Trust Co., and approving the Official Statement and any supplements thereto, and evidencing such acts by execution of an Approval Certificate. Upon unanimous vote, the Board authorized and designated Directors Hembree and Scott to act on its behalf. The Board further authorized all its consultants to take actions to issue, sell, approve and deliver the bonds.

17. There was presented the attached Bond Order for the Series 2016 Refunding Bonds. The attorney explained the Bond Order in some detail to the Board. She noted that the Bond Order is the District's covenant with the bondholders. As such, the District covenants to levy a tax sufficient in rate and amount to pay the bonds when due, and the District covenants to maintain the tax-exempt status of the bonds. The District further covenants to maintain sufficient insurance on the facilities, and the District promises to annually update certain financial information that is of interest to bondholders. The Bond Order contains the parameters under which Director Scott will be authorized to execute an Approval Certificate on the day that the bonds are priced. The Board agreed that the appropriate parameter for the District to use would be a net present value savings of 6%. Upon unanimous vote, the Board approved the Bond Order as presented.

18. There was presented the attached Order Authorizing Actions for Issuance, Approval and Delivery of the Series 2016 Refunding Bonds. The attorney noted that there were a number of items that needed to be authorized to consummate the closing of the bond transaction. Among them, the District should acknowledge the engagement of McCall, Parkhurst & Horton, L.L.P. as special tax counsel. Upon unanimous vote, the Board adopted the order as presented.

There being no further business to come before the Board, the meeting was adjourned.

  
Secretary