

NEWPORT MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
March 23, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on Wednesday, March 23, 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
Dale Glazner, Assistant Secretary
Jim Hembree, Director

and the following absent:

Robert Archer, Secretary.

Also present were Brian Toldan, Delilah Arolfo, Andrea Martin, Mandi Guerra, Margarette Chasteen, Donna Bryant, Brandon Smith, David Kasper, Ethan Springer, Eileen Fashoro, Debbie Shelton, Nino Corbett, 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 February 17, February 22 and February 24, 2016 were presented for the Board's review and approval. The Board suggested corrections to the minutes of February 22, 2016. Upon unanimous vote, the minutes of February 17 and February 24, 2016 were approved as presented. Upon unanimous vote, the minutes of February 22, 2016 were approved as amended.

2. Mandi Guerra presented a bookkeeper's report, a copy of which is attached. The District has eight months of reserve in the general operating fund, so that balance is slowly increasing. The District received a \$15,000 annexation deposit from the International Union of Operating Engineers. TexPool rates are climbing a little bit. The Board noted that the District was continuing to be charged a fee on the Compass Bank account, and the Board authorized the bookkeeper to close the account. Upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized payment of bills listed on the report.

3. Donna Bryant presented a tax assessor/collector's report. As of the end of February, 2015 taxes were 94.15% collected. All prior years were over 99% collected. Two wire transfers and seven checks were presented for the Board's review and approval. One check was voided. Upon unanimous vote, the Board approved the tax assessor/collector's report as presented.

4. The Board entertained reports from the various developers on the status of the irrespective projects. Ethan Springer reported that Lennar has had nine home sales year-to-

date in Seven Oaks, and there have been four home sales year-to-date in the Villas, Section 1. Home sales appear to be slowing down a little. Lennar has cleared Section 2 of the Villas and will proceed with water, sewer and drainage construction in the fall. Construction in the Newport, Section 8's re-plat area is underway. The paving and detention is under construction, and water, sewer and drainage construction is complete. Landscaping will begin soon. The developer plans to replace the Meadowbrook sign and refurbish that entrance area. Home sales in Seven Oaks South continue along the same schedule.

Eileen Fashoro reported on the status of Rampart's development. There were no new items to report. In response to a question from Director Cox about the status of the Rochester development, Ms. Fashoro noted that Rochester needs to follow-up with Rampart because Rampart retained the right to approve their plat.

Nino Corbett reported that he is preparing his site for construction of a detention pond.

5. The Board considered customer service inquiries. Delilah Arolfo presented the facts and circumstances surrounding an excavation at 806 Companion Drive. The resident is displeased with excavation that occurred in her driveway. The work was done during the valve and line location associated with Newport, Section 8 development. The District incurred a cost of \$500 to replace a box section of the driveway where a valve was located. The driveway had been poured over the District's valve. It would cost between \$3,500 to \$4,000 to replace the entire section of the driveway and remove the valve from the driveway. The valve is no longer needed. After a full discussion, the Board declined to replace the section of the driveway and will leave the repair as-is. The District will continue to monitor the situation and if any settlement occurs, it can be further addressed.

6. Brian Toldan of McCall Gibson Swedlund Barfoot, PLLC presented an audit of the District's books and records for the fiscal year ended December 31, 2015. He stated that the District experienced another good year and his firm was issuing an unmodified opinion. The District had general fund revenues exceeding expenditures in the amount of \$352,865. Mr. Toldan reviewed the audit with the Board in detail. Upon unanimous vote, the Board approved the audit as presented and authorized its filing as required by law.

7. There was presented the attached Resolution Affirming Review of Investment Policy, Strategies and Objectives and the list of approved brokers/dealers. The attorney noted that according to the Public Funds Investment Act, the District is annually required to review its investment policy to assure its compliance with Texas law. The attorney recommended no revisions to the investment policy, and the auditor's report noted no deficiencies with respect to how the District's investments are handled. The Board also reviewed a list of brokers/dealers to be authorized to engage in investment transactions with the District. Upon unanimous vote, the Board adopted the Resolution and brokers/dealers list as presented.

8. Lori Aylett discussed the continuing disclosure filing with regard to the District's bonds. Pursuant to Bond Orders previously adopted, the District is required to annually update certain material information, including the audit, that might be of interest to

District bondholders. Upon unanimous vote, the Board authorized the attorney to make the continuing disclosure filing as required by law.

9. Andrea Martin presented a billing and collections report. Total current payments were \$249,558.95, while total current billing was \$229,628. Deposits in-house were \$414,601.50. The 30-day arrears were \$56,976 at the end of February, and as of today's meeting they were at \$17,819. There were 38 new connections in the District, of which 29 were owners and nine were renters. Of those new connections, 10 were new homes, and 28 were pre-existing homes. 18 accounts were finalized, and there were 53 vacancies.

Delilah Arolfo provided the Board with a recap on backcharges assessed against builders and contractors during the previous year.

Ms. Arolfo then presented a report on behalf of Aggressive Waste. The garbage contractor issued nine yellow tags for non-compliant household trash, and 41 yellow tags were issued for non-compliant heavy trash.

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

10. The Board discussed operations and engineering matters. The bond application is complete and has been submitted to the TCEQ. Discussions are underway with MUD 525, and their attorney is preparing a draft of a Groundwater Reduction Plan Agreement. The operator has been working to submit a revised sampling plan in response to the revised total coliform rule. Routine samples will be pulled at the beginning of the month at sample sites that are scattered throughout the District. Samples will also be taken throughout the month.

The operator sent correspondence to the TCEQ notifying them that the District is not a wholesale water provider. The District has been erroneously on the TCEQ's list as such.

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

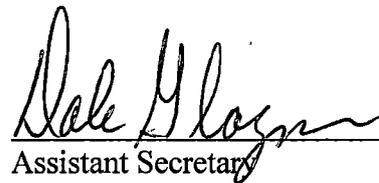
11. Lori Aylett presented an attorney's report. During the past month the attorney worked with the engineer to review and complete the bond application report. The Board President approved a Groundwater Reduction Plan Agreement with Eastex on terms previously approved by the Board for sale of credits to customers. The attorney discussed the District calendar, and the Board has determined that the District will not need to conduct a monthly special meeting regarding parks matters for the time being. Instead, the District will return to quarterly walk-through of facilities by two directors. Delilah Arolfo expressed the desire to conduct the walk-throughs on a day other than Monday. Director Cox expressed the desire not to conduct walk-throughs on Wednesday mornings, as he has a standing conflict those days. The attorney will revise the calendar accordingly. Upon unanimous vote, the Board approved the attorney's report as presented.

12. The Board considered Waivers of Special Appraisal with Dunhill and Newport Court. The attorney noted that 1295 forms have been received from both developers, and upon unanimous vote, the Board approved the Waivers of Special Appraisal as presented.

13. The Board then considered the attached Order Declaring Unopposed Candidates Elected and Canceling Election originally scheduled for the first Saturday in May, 2016. The Board reviewed a secretary's certificate certifying that all candidates for office of director are unopposed, and the deadline for filing an application to be a candidate has expired. After discussion, upon unanimous vote, the Order was approved and executed.

14. The Board discussed the status of the Series 2016 bonds. Debbie Shelton advised the Board of the present value savings achieved as a result of the refunding. The District has entered into a Bond Purchase Agreement and a transcript of the bond proceedings is at the Attorney General's Office for final approval. The District achieved net present value savings of \$408,449.20, which represents 11.554433%. This means that the District has annual debt service savings of approximately \$34,000. This is well in excess of the parameters for approval previously authorized by the Board. The Board congratulated the financial advisor on the transaction and thanked her for her efforts.

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


Assistant Secretary