

**NEWPORT MUNICIPAL UTILITY DISTRICT**  
Minutes of Meeting of Board of Directors  
October 13, 2016

The Board of Directors ("Board") of Newport Municipal Utility District ("District") met at 16703 Golf Club Drive, Crosby, Texas, on October 13, 2016, in accordance with the duly posted notice of said meeting, with a quorum of directors present, as follows:

Jim Hembree, President  
Don Cox, Secretary  
Margarette Chasteen, Assistant Secretary  
R. Gary Hasse, Director

and the following absent:

Wayne T. Scott, Vice President.

Also present were Delilah Arolfo, Brandon Smith, Andrea Martin, Jeff Baughman, Cullen Francis, and Rich Harcrow.

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

1. David Kasper presented an engineer's report, copy of which is attached. Mr. Kasper first discussed reimbursement of engineering fees and interest to Lennar Homes for the Villas at Newport. Director Chasteen inquired about implementing procedures for builder reimbursements. After further discussion, the Board authorized the engineer to submit his calculation for reimbursement of the Villas at Newport to the financial advisor and LJA Engineering on behalf of the Board.

Mr. Kasper noted that it was time to renew the industrial storm water discharge permit for the wastewater treatment plant. Upon unanimous vote, the Board authorized the President to execute the renewal application.

The engineer next discussed new projects in the District which included rehabilitation of water storage tanks and blower automation. Upon unanimous vote, the Board authorized the engineer to move forward on the rehabilitation of water storage tanks. The Board tabled further consideration of the blower automation project until the next meeting.

The engineer then presented Change Order No. 1 in the amount of \$31,000.75 for water, sewer and drainage facilities construction to serve Newport Villas, Section 12. Upon unanimous vote, the Board approved the change order as presented.

Finally, Mr. Kasper presented an acknowledgement and consent letter for modification of antenna facilities. T-Mobile needs to modify the antenna facilities by installing new equipment. Upon unanimous vote, the Board approved the request as presented.

Upon unanimous vote, the Board approved the engineer's report.

2. The Board next reviewed the operations and maintenance report, a copy of which is attached. Brandon Smith reported on operations of the water system in the District. Ground water permitted through February 28, 2017 was 175.200 million gallons, and remaining ground water as of September 26, 2016 was 128.816 million gallons. Total ground water produced was 4.544 million gallons, and total surface water produced was 44.339 million gallons. Billed water was 27.483 million gallons with an accountability of 87%.

Jeff Baughman reported on completed and pending work at the surface water treatment plant and the status of the water wells in the system.

Cullen Francis reported on the status of the wastewater system in the District. Total flow for the month amounted to 21.761 million gallons, with an average daily flow of 0.725 million gallons. There was 1.55" of rainfall for the month. There were no violations noted at the facility.

Mr. Francis next reported on work completed at the wastewater treatment plant and District lift stations.

Rich Harcrow reported on the District work. There were 11 water leaks and main line repairs, five sewer back-up and sewer line repairs, and five miscellaneous call outs.

Brandon Smith report on taps in the District. There have been 106 regular taps, three irrigation taps, and one sewer tap made year-to-date.

Upon unanimous vote, the Board approved the operator's report.

3. Brandon Smith then presented a report on District parks, a copy of which is attached. At the Port O'Call Park, the operator painted the restroom ceilings and installed the new flag pole. At Flying Bridge Park, the operator replaced a rotten board on the overlook railing.

There was one party request for the Board's consideration. Upon unanimous vote, the Board approved the party request as presented.

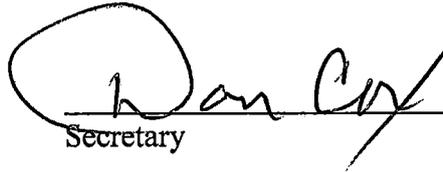
Upon unanimous vote, the Board approved the parks and trails report as presented.

4. Director Chasteen requested Board authorization to contact the Newport Garden Club to have them assess what plants will do well in the parks, as well as provide cost information for the Board's consideration for regular landscaping. Director Hembree inquired if Director Chasteen would be the contact person on behalf of the Board and the Newport Garden Club. Director Chasteen stated that she would discuss any proposed actions with the District and the Club with the Board as needed.

5. The Board considered a Water Supply and Groundwater Reduction Agreement with Harris County Municipal Utility District No. 525 from an engineer and operations perspective. After discussion, the Board requested a special meeting be held on October 20, 2016 at 9:00 a.m. to discuss the matter further.

6. The Board next discussed an amendment to Section 1.05 of the operator's contract to raise the purchase limit for the operator for emergency repairs with approval of designated representatives. After discussion, with a vote of 4 to 0 with Director Cox abstaining, the Board approved amending the purchase limit to \$25,000 as follows: up to \$10,000, no Board approval is needed; \$10,000 to \$25,000, approval of one Board member is needed. Director Hasse volunteered to be the operator's contact for approval. Purchases over \$25,001 are considered an extraordinary repair. Director Cox requested that the emergency purchasing limits regarding extraordinary repairs be added to Section 1.06 of the operator's contract.

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

  
Secretary