

HOUSTON FIRST CORPORATION
MINUTES OF THE
AUDIT AND FINANCE COMMITTEE

October 21, 2011

The Audit and Finance Committee of the Houston First Corporation (the "Corporation"), a Texas non-profit corporation created and organized by the City of Houston as a local government corporation pursuant to TEX.TRANSP.CODE ANN. §431.101 et seq. And TEX. LOC. GOV'T. CODE ANN §394.001 et seq., held a committee meeting in the 1st Floor Conference Room at the George R. Brown Convention Center, 1001 Avenida de las Americas, Houston, Harris County, Texas 77010, on October 21, 2011, commencing at 11:30 a.m. Written notice of the meeting including the date, hour, place and agenda for the meeting, was posted in accordance with the Texas Open Meeting Act. The following committee members participated in the meeting: Katy Caldwell, David Arpin and Dawn Ullrich.

Chairperson Caldwell called the meeting to order at approximately 11:35 a.m. and a quorum was established.

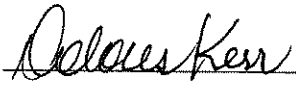
1. Review and Approval of Minutes from Prior Meeting. After a motion duly seconded, the minutes from the August 22, 2011 meeting were approved.

2. Discussion of and possible action on a recommendation to the Board of Directors with regard to the approval of Houston First Corporation CY12 Budget. Brenda Bazan gave a brief overview of the capital budget procedure. She presented the budget on a line by line basis. After a motion duly seconded, the committee agreed to recommend to the Board of Directors the CY12 budget as presented. A copy of such budget is attached hereto as Exhibit A.

3. Discussion of and possible action on a recommendation to the Board of Directors with regard to the approval of Houston First Foundation CY12Budget. Item removed from consideration.

4. Discussion of and possible action with regard to the annual review and acceptance of the Investment Policy. Peter McStravick explained that each year the Investment Policy needs to be reviewed and accepted for the upcoming year. He presented two changes in the current policy. Discussion followed by all and it was decided in order to have a more flexible policy the current Section 8.5 would remain, and an additional item would be added as Section 8.6 to give authorization to invest in the City of Houston's General Pool and Section 9.5 would be removed. After a motion duly seconded, the Committee agreed to recommend the Investment Policy including these changes to the Board of Directors for acceptance.
5. Management and Accountability Report. Brenda Bazan advised the committee that she no significant changes to report since the last meeting in August.
6. HFC—Hotel Administration Investment Report. Mr. McStravick presented the quarterly investment report for the Hotel.
7. Long Range financial forecast. Phil Scheps gave a detailed review of the financial forecast explaining each item. It was agreed that this would be presented at the next meeting so that the committee could gain a better understanding of the forecast.
8. Property Insurance. Peter McStravick reviewed with the committee the current property insurance program including coverage and cost for the leased properties through the City of Houston and compared coverage and pricing proposed by Ann Harris of Willis for an alternative program. The difference would be a savings to the Corporation of approximately 25% based on the amount the City had in its FY 2012 budget. All were in agreement that this would be a great benefit to the Corporation.

After motion duly seconded, the meeting was adjourned at approximately 1:20 p.m.



Dolores Kerr, Secretary

