

**HARRIS COUNTY – HOUSTON SPORTS AUTHORITY
MINUTES OF THE BOARD OF DIRECTORS MEETING**

Thursday, June 5, 2014

STATE OF TEXAS }
HARRIS COUNTY – HOUSTON }
SPORTS AUTHORITY }

A meeting of the Board of Directors (the “Board”) of the Harris County – Houston Sports Authority (the “Authority”), a sports and community venue district, was held in the O’Connell Board Room of the offices of the Greater Houston Convention and Visitors Bureau, 1331 Lamar Street, Suite 700, Houston, Texas, on Thursday, June 5, 2014, commencing at 10:00 a.m. Written notices of the meeting, including the date, hour, place and agenda for the meeting, were posted in Harris, Fort Bend and Montgomery Counties in accordance with the Texas Open Meetings Act. The following Directors participated in the meeting: Chairman J. Kent Friedman, Directors Philamena Baird, Joseph Callier, Lawrence Catuzzi, Jess Fields, Pam Gardner, Matthew Rogers, Jr., Chau Nguyen Todd, and Tom Sprague. Ms. Janis Schmees Burke, Chief Executive Officer of the Authority, Mr. Tom Waggoner, Controller of the Authority, and Mr. Gene Locke, Andrews Kurth LLP, counsel for the Authority, were also present. Guests in attendance were: Mr. Mark Arnold, Andrews Kurth LLP; Messrs. Mike Bartolotta and Trey Cash, First Southwest Company, financial advisors for the Authority; Mr. Ryan Walsh, Mr. Alberto Alvarado and Mr. Jacob Hernandez, Harris County Judge Emmett’s office; Ms. Joanye Henderson, Harris County Commissioner R. Jack Cagle’s office; Mr. Court Koenning, Harris County Commissioner Steve Radack’s office; Mr. Doug Hall, General Manager, BBVA Compass Stadium; Mr. Nigel Melville, Chief Executive Officer of USA Rugby; Ms. Angela Dunlap and Ms. Shekita Rawls, Grant Thornton LLP; Ms. Donna Esposito, Houston Methodist Hospital; Reverend William “Dub” Brooks and Ms. Sue Howard, Palmer Memorial Episcopal Church; Mrs. Cheryl Sprague; and Ms. Kit Rockhill and Ms. Alix Hipple, Jones Day.

1. Call to Order. Recognizing a quorum was present, Chairman Friedman called the meeting to order at approximately 10:00 a.m. He introduced Reverend William “Dub” Brooks, Senior Associate Pastor of Palmer Memorial Episcopal Church in Houston, who offered the invocation.

2. **Presentation and approval of the minutes from the Board Meeting held on April 10, 2014.**

Chairman Friedman presented the draft minutes for the Board meeting held on April 10, 2014, which had been previously circulated for the Board's review. Director Catuzzi moved that the minutes be approved, and Director Fields seconded the motion. The motion passed unanimously.

3. **Chairman's Report.**

a. **Update on status of Sports Authority bonds (Series 2001C, D and E Bonds).**

Chairman Friedman reported that the final redemption payment to JPMorgan Chase on these bonds was made on May 10, 2014, and this \$125 million series of 30-year bonds was paid off in five years. He noted that the Authority continues to have conversations with MBIA, the insurance underwriters, about the possibility of a restructuring that would, in effect, remove them from much of the bond debt. Chairman Friedman said that he was cautiously optimistic that this can be done in the relatively near future.

4. **Grant Thornton LLP to give independent auditors' report for year 2013.**

Chairman Friedman asked Director Fields, as Chairman of the Finance Committee, to report on the Authority's 2013 financial audit. Director Fields introduced Ms. Angela Dunlap, Partner, and Ms. Shekita Rawls, Manager-Audit Services, from Grant Thornton LLP, and asked them to give their report.

Ms. Dunlap conveyed Grant Thornton's appreciation for the opportunity to perform the annual audit service for the Authority. She reported that their team had met with the Finance Committee earlier in the week, and walked through this presentation regarding the conduct of the audit for the Authority for the December 31, 2013 financial statements.

Ms. Dunlap said that with respect to the financial statements, Grant Thornton LLP issued an unqualified, or clean, opinion on the financial statements of the Authority for calendar year ending December 31, 2013.

Ms. Dunlap said their team also communicated to the Finance Committee that there was one internal control deficiency relating to the capitalization of certain assets. She noted that there was an Agenda item for this Board meeting to approve a capitalization policy associated with those particular capital assets.

Ms. Dunlap stated there were no scope limitations relative to the audit, meaning that they were able to talk with whomever they needed to talk with and look at any documents that were needed for

review in order for them to render their audit opinion. She stated that it was a very smooth audit process, and the audit team appreciated the excellent cooperation from the Authority's staff.

Chairman Friedman and Director Fields thanked Grant Thornton for their great work on the audit.

5. Discussion and possible action on resolution approving a revision to the Authority's Capitalization Policy to incorporate Generally Accepted Accounting Principles (GAAP) guidelines regarding building improvements, and other matters related thereto. Director Fields reported that the Finance Committee reviewed a recommendation from the staff to update the Authority's capitalization policy to include building improvements with a useful life of more than one year and a total cost in excess of \$250,000. He said that the Finance Committee concurs with this recommendation and requests that the Board approve the revision of the current capitalization policy to include building improvements with a total cost in excess of \$250,000, retroactive to January 1, 2013. Director Fields noted that this was an accounting procedure that was also recommended by Grant Thornton. Upon motion made by Director Gardner, seconded by Director Rogers, the resolution was approved unanimously.

6. Year-to-date Financial Update. Director Fields reported that actual revenues for the first quarter of 2014 exceeded budget by \$1,293,255. He stated that Motor Vehicle Rental Tax collections exceeded budget by 6.1 percent, or \$350,976; and noted that the collections through one additional month of April 2014 exceeded budget by 9.0 percent, or \$683,695. Director Fields reported that Hotel Occupancy Tax collections were under budget by 4 percent, or \$286,096, for the first quarter; however, he stated that this was simply a timing issue because Hotel Occupancy Tax collections through May 27, 2014, exceeded budget by 25 percent, or \$3,033,745.

Director Fields stated that expenditures for the first quarter exceeded budget by \$33,679, primarily due to legal costs. He said that actual professional fees exceeded budget by \$70,541 for legal fees incurred in connection with the MBIA and Wilmington Trust lawsuits. He also noted that the Tundra Garage expenses exceeded revenues by \$27,168, some of which was related to necessary repairs.

Director Fields commented, as the Chairman had previously stated, that final payments were made on the Reliant Stadium bonds, Series 2001C, D and E, on May 15, 2014. He noted that funds on deposit were sufficient to meet all of the May 15 debt payments, and a draw on the insurance policy

was not required. He reported that after the final payment, \$2,499,262.68 remains on deposit in various Reliant Stadium trust accounts.

Regarding the Investment Report for the first quarter, Director Fields stated that the par value of the Authority's portfolio was \$79.2 million as of March 31, 2014; the first quarter's average yield was .573 percent, compared to the benchmark yield of .10 percent; and the weighted average maturity for the first quarter of 2014 was 227 days.

Chairman Friedman thanked Director Fields for his report, and then asked Ms. Burke for her Chief Executive Officer's report.

7. Chief Executive Officer's Report. Ms. Burke introduced special guest, Mr. Nigel Melville, Chief Executive Officer of USA Rugby, who was in Houston for the USA Rugby-Scotland game on June 7. She said that Mr. Melville had enjoyed a very successful professional rugby career, and since becoming the CEO of USA Rugby, has worked tirelessly to grow the sport of rugby in the United States. Ms. Burke noted that the Authority has long enjoyed a great working relationship with him and USA Rugby to bring these events to Houston.

Mr. Melville thanked the Board and Ms. Burke for their support of the sport of rugby in Houston, and for their vision five or six years ago to build a new stadium that would also accommodate rugby games. He said that the BBVA Compass Stadium has been a wonderful venue for rugby, attracting record crowds for the events held in Houston. Mr. Melville noted that USA Rugby keeps coming to Houston, not just for the record crowds, but because no other city in the country gives the level of support found in Houston. Going forward, he stated that they will try to bring more games and more events here for spectators to come not only from Houston, but from across the United States and overseas, as well, to enjoy the sport of rugby. Chairman Friedman thanked Mr. Melville for helping Houston become the rugby capital of the United States and stated that the Authority looked forward to continuing a mutually productive relationship. Ms. Burke also thanked Mr. Hall for making BBVA Compass Stadium such a great partner for rugby events in Houston.

Ms. Burke then introduced Ms. Donna Esposito, Transplant Coordinator, Methodist Transplant Center. She noted that Ms. Esposito made the initial contact with the Authority nearly two years ago, and put forth the idea of submitting a bid for Houston to host the Transplant Games of America. She said that Ms. Esposito has worked tirelessly with her extensive contacts in the Texas Medical Center and the Authority's staff to make that idea become reality.

Ms. Esposito stated that bringing the Games to Houston has galvanized Houston's medical community and fostered more cooperation and excitement between its hospitals and agencies than ever before. Ms. Esposito thanked the Authority's Board, Ms. Burke and the incredible team that was pulled together to plan and host the Games. She noted that she has personally been to many Games, but has never seen the amount of effort, dedication and personalization that has been exhibited by Ms. Burke and the events team for these Games.

Ms. Esposito said that while it is important to bring donors and recipients together to celebrate life, the most important aspect of the Games is to bring attention to the need for organ donors. She said that the Texas Organ Donor Registry has grown significantly because of the outstanding job that the Authority has done to promote the Games, as well as bring the need for organ donors to the forefront.

Ms. Burke said that Ms. Esposito should be given credit for the role she played in helping the Authority pull the event together. She reported that Ms. Esposito, as the chair of the Sponsorship Committee, single-handedly raised almost \$500,000. Ms. Burke also noted that because of Ms. Esposito's efforts, the Authority will be able to present a check for \$20,000 to Team Texas.

Chairman Friedman asked Ms. Esposito to give an overview of what could be expected at the Games. Ms. Esposito said that these Games are basically just like the Olympics. There are 40 different competitive events, including all of the track and field events, badminton, volleyball, basketball, volleyball, bowling, swimming, golfing, tennis, as well as less strenuous ones. Ms. Burke also noted that each of the states, Puerto Rico and two other countries will be represented at the Games, and representatives from the World Transplant Games will also be in attendance. She stated that the Authority will submit a bid for a future World Transplant Games event, which has never been held in the United States.

Ms. Burke then gave an update relating to the economic impact of the professional stadiums and sporting events to Houston and Harris County, as well as an overview of scheduled events and bids in process.

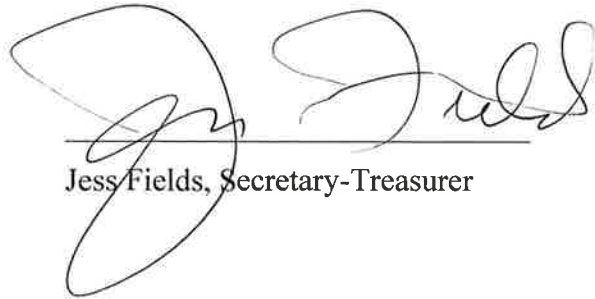
8. Chairman Friedman announced that, pursuant to provisions of Chapter 551, Texas Government Code, the Board shall deliberate in Executive Session on the following: Consultation with attorneys on pending or potential litigation and legal matters in which attorney's duties are governed by the State of Texas (Code of Conduct), including matters related to National Public Finance Guarantee Corp and MBIA v. Harris County - Houston Sports

Authority, et al, and matters related to MBIA, and Wilmington Trust v. Harris County – Houston Sports Authority and the payment of bonds and the flow of funds obligations, and matters related thereto pursuant to Section 551.071; deliberation on real estate matters, pursuant to Section 551.072; and deliberation on personnel matters, pursuant to Section 551.074.

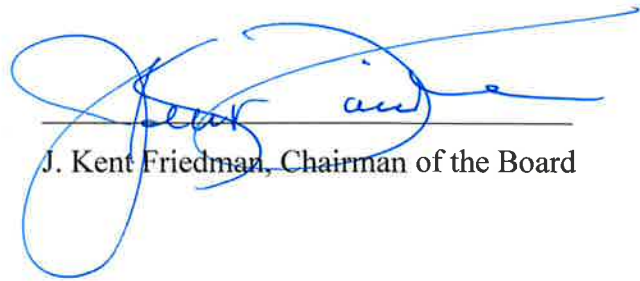
At approximately 10:40 a.m., the Board of Directors recessed into a closed meeting to deliberate on the agenda items. Following Executive Session, the Board reconvened in open session at approximately 11:00 a.m.

5. Adjournment. There being no further business to come before the Board, and after motion made by Director Baird and seconded by Director Rogers, the meeting was adjourned at approximately 11:05 a.m.

Adopted and approved this 21st day of August, 2014.



Jess Fields, Secretary-Treasurer



J. Kent Friedman, Chairman of the Board