

MINUTES

**Board of Directors of the
Houston Ship Channel Security District**

**Houston, Texas
February 8, 2011**

The regular meeting of the Board of Directors "Board" of the Houston Ship Channel Security District "District" was convened on February 8, 2011 at 2:00 p.m. The meeting was held at the Exxon Mobil Main Office Building, 2800 Decker Drive, Baytown, Texas. The following Directors were present:

Beth Bowles
Clayton Curtis
Greg DeLong
Harry Engelhardt, Jr.
Robin Riley
Tom Schroeter
Mark Skobel
Steve Stewart
Ray Yellig

Also present were Daniel Ringold, Mike Page, counsel for the District and Howard Cohen, all of Schwartz, Page & Harding, LLP. Directors Richard Henderson and Lawrence Waldron were absent.

Chairman Riley called the meeting to order at 2.10 p.m. Chairman Riley asked if anybody wished to address the Board. Nobody wished to do so. Chairman Riley thanked Exxon Mobil for hosting the meeting.

The Minutes of the December 14, 2010 and January 11, 2011 meetings were presented for approval. Director Skobel moved and Director DeLong seconded that the Minutes of the December 14, 2010 and January 11, 2011 meetings be approved. Motion passed unanimously.

Director Schroeter moved and Director Engelhardt, Jr. seconded that Item 4 on the Agenda, Presentation on Chemical Facility Anti-Terrorism Standards (CFATS) and Transportation Worker Identification Credentials (TWIC) be tabled until speaker availability is determined. Motion passed unanimously.

Greater Houston Port Bureau presented an update on Security Zone Director positions up for nomination and appointment. The following persons received the majority of votes for their respective zones and were declared the nominees:

Zone 1	Richard Henderson
Zone 2	Greg DeLong
Zone 3	Gary Scheibe
Zone 4	Ray Yellig

Director Schroeter was also re-nominated for a two year term by the Chief Executive Officer of the Port of Houston Authority.

The terms of these Directors will expire in January, 2013.

Director Yellig requested that the results of the nomination process (votes received for each candidate running in a zone) be published on the Houston Ship Channel Security District website.

Director Stewart moved and Director Curtis seconded that the nominating results be approved and that the above four directors' names be placed on the Harris County Commissioner's Court Agenda for appointment. Motion passed unanimously.

Rick Deel gave an update of the Houston Ship Channel Security Council. He stated that the Council had adopted a Mission Statement – *“Mission of the HSCSD-AC is to provide expertise and guidance to the Houston Ship Channel Security District Board on security matters affecting the Houston Ship Channel and surrounding areas.”* The Council will meet on the third Wednesday of every month from 1:00 p.m. – 3:00 p.m. The Captain of the Port will be the Coast Guard representative on the Advisory Council; there are two openings on the Advisory Council, Bill Crews' position and Gary Scheibe's position.

Director Curtis discussed the investment officer position. Director Curtis moved and Director Stewart seconded that the Greater Houston Port Bureau take the necessary training to become the investment officer for the Board. Motion passed unanimously.

Mr. Ringold discussed the list of Qualified Brokers with the Board. After discussion Director Curtis moved and Director Engelhardt, Jr. seconded that the list of Qualified Brokers be approved. Motion passed unanimously.

Mr. Ringold discussed with the Board the Security and Exchange Commission's proposed rules regarding requirements for certain persons to register as Municipal Advisors, including certain appointed members of the governing bodies of local municipal entities, and provided a memorandum regarding same. Mr. Ringold further advised the Board that the SEC is accepting comments to its proposed rules through February 22. Upon discussion, Mr. Schroeter moved that Schwartz, Page & Harding be authorized to prepare a comment letter on behalf of the District opposing the application of the proposed rules to appointed Board members. Director Engelhardt, Jr. seconded such motion, which passed unanimously. Mr. Ringold advised that Schwartz, Page & Harding would send a draft of such correspondence to Chairman Riley and Director Schroeter for review and comment and to Mr. Cusick for transmittal to the SEC.

Additional insurance coverage for the Board of Directors was discussed. It was moved by Director Stewart and seconded by Director Curtis that the Port Bureau purchase \$5,000,000 of Directors & Officers insurance coverage. Motion passed unanimously. The Port Bureau will also research the issue of additional general liability insurance.

Captain Bill Diehl of the Port Bureau gave an update on the Assessments. This matter will be taken up in Executive Session.

Chairman Riley opened up the discussion regarding project management. Director DeLong stated that he felt the Board had had a great first year; he felt that the project management firm should be responsible for the following four goals:

1. Develop project management expertise gaps as identified;
2. Identify gaps as identified in Port Analysis;
3. Develop a Board vision/position
4. Risk Analysis – what are the threats to the Security District?

Captain Bill Diehl felt that the Project Management position should be opened up to bids. The board decided that Director Schroeter would develop an RFQ and then give to the Security Council for its review before it was presented to the Board. Director DeLong volunteered to assist in the preparation of the RFQ. Chairman Riley suggested that discussion on this matter be tabled until March.

Chairman Riley discussed the necessity of having a board member as an AMSC liaison. It was the general consensus of the Board that as Director Schroeter already attended the meetings on behalf of the Port of Houston Authority, he should also attend and keep the Board apprised of ASMC matters. Director Engelhardt, Jr. moved and Director DeLong seconded that Director Schroeter be the Houston Ship Channel Security District Board’s liaison for AMSC. Motion passed unanimously.

Chairman Riley discussed the Government Security Exposition in Washington DC being held March 29-31st and suggested if Board Members wished to attend, they discuss this matter with Captain Bill Diehl.

At 3:25 p.m. Chairman Riley called for a 10 minute recess which would be followed by an Executive Session. Director Schroeter read the following statement:

“The Board of Directors of the Houston Ship Channel Security District will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code Section 551, Subchapter D, to deliberate regarding any of the following:

- a. Public officers and employees
- b. Consultation with attorneys
- c. Security-related matters
- d. Real property
- e. Economic development negotiations or incentives

“Pursuant to the Government Code, Section 551, Subchapter E, the closed meeting shall be recorded. The Board will reconvene in public session after the closed meeting is adjourned.”

At 5:45 p.m. Chairman Riley reconvened the regular meeting. Chairman Riley informed the Harris County representatives that the Board was not satisfied with the Agreement as it currently stands, and that the Board would like to see information regarding a proposed operation plan for the security project that is the subject of the Agreement that it has been requesting.

Discussion ensued regarding the APM Terminal assessment. Director DeLong moved and Director Curtis seconded that the appeal of APM Terminals be denied and that they be assessed the amount of \$135,000, payable in three annual installments of \$45,000.00 (2010, 2011 and 2012). Directors Schroeter and Stewart recused themselves from discussion on the matter and the vote. The remaining directors voted in the affirmative for the assessment.

Director Engelhardt moved to withdraw the provision in the current proposed legislation that would allow annexation of facilities outside of Harris County. Director Curtis seconded the motion. Discussion ensued on the need to focus on Harris County at this time, and to defer potential expansion outside of the County until a later time. Motion passed unanimously.

Director Engelhardt, Jr. moved and Director Curtis seconded that the meeting adjourn. Motion passed unanimously. Meeting adjourned at 5:47 p.m.

Next scheduled meeting of the Houston Ship Channel Security District Board of Directors is Tuesday, March 8, 2011 at 2:00 p.m. at The Port of Houston Authority, 111 East Loop North, Houston, Texas 77029.

The above is a correct copy of the Minutes of the February 8, 2011, meeting of the Board of Directors of the Houston Ship Channel Security District.



Robin C. Riley, Chairman

ATTEST:



Thomas G. Schroeter, Secretary

Action Items:

1. Director Schroeter and Director DeLong to prepare rough draft of an RFQ for Project Manager.
2. Greater Houston Port Bureau to obtain quotes for additional \$5,000,000 insurance coverage.
3. Schwartz, Page & Harding to prepare a letter to the SEC opposing the proposed rules regarding requirements for certain persons to register as Municipal Advisors and forward same to chairman Riley, Secretary Schroeter and Mr. Cusick.