

MINUTES

Board of Directors of the Houston Ship Channel Security District Houston, Texas February 10, 2015

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on February 10, 2015, open to the public, at Brady's Landing, 8505 Cypress, Houston, TX 77012 in accordance with the duly posted Notice of Public Meeting. The roll was called of the officers and members of the Board as follows:

Todd Adamec, Secretary
Eric Bass, Assistant Secretary
Brian Blanchard
Jarrod Boehme
Lewis Brown
Jimmy Burke
Duane Campbell
George Paruch
Gary Scheibe, Chair
Steve Stewart, Vice Chair
Marcus Woodring

and all said persons were present, except Director Stewart, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP ("SPH"), legal counsel for the District, and CAPT Bill Diehl, USCG (Ret.), P.E., Albert Cusick, and Patrick Seeba of the Greater Houston Port Bureau ("GHPB"), administrators and program manager for the District.

Call to Order

Chairman Scheibe called the meeting to order at 2:03 PM.

Acceptance of Qualification Statement, Bond, Oath of Office, and Election Not to Disclose Certain Information for Director Scheibe

Mr. Ringold advised the Board of the need to accept the Statement of Elected/Appointed Officer, Oath of Office, Bond and Election Not to Disclose Certain Information of Director Scheibe, who was not present at the last meeting when the qualification credentials of the other Directors were accepted. Director Woodring moved that the Statement of Elected/Appointed Officer, Oath of Office, Bond and Election Not to Disclose Certain Information executed by Director Scheibe and presented to the Board be accepted. Director Adamec seconded the motion, which passed unanimously.

Chairman's Comments

Chairman Scheibe addressed the Directors and the members of the public present, outlining his plan for the direction of the District for the coming year. He noted that his primary goal for the District is to secure the supply chain throughout the District, not just along the ship channel. He stated that he plans to accomplish this goal by working closely with the District's public and private partners, including CAPT Penoyer of the USCG and local law enforcement agencies. Chairman Scheibe stated his intention to stay the course started last year by the District of expansion of the air, land and sea patrols, support for tactical projects, and expansion of safety and security training class opportunities for personnel of facilities located within the District, which have been enormously successful and well attended.

Appearances

Detective Russell White, Baytown Police Department ("BPD"), updated the Board on the status of the Prime Movers for BPD's patrol boat acquired with federal Port Security Grant funds for which the District had provided the local matching share requirement. He advised the vehicles were in place and would be subject to a FEMA audit on the following Friday. He thanked the District for their support and noted that District decals would be proudly displayed on the vehicles and boat.

Presentation by Sector Commander, USCG Sector Houston-Galveston

CAPT. Penoyer addressed the Board regarding the importance of and challenges presented by port security, with a particular focus on coordination among private industry and federal, state, and local law enforcement agencies. In this regard, he noted the crucial role the District plays in helping him accomplish the Coast Guard's goal of securing the port, especially in the current environment of decreased federal funding.

Approval of Minutes of January 13, 2015 Meeting

Chairman Scheibe asked if there were any comments to the draft minutes of the January 13, 2015, Board of Directors meeting. Director Burke moved for the acceptance of said Minutes, as presented. Director Brown seconded the motion, which passed unanimously without further discussion.

Election of Treasurer

Mr. Ringold reminded the Board that there is a vacancy in the office of Treasurer. Chairman Scheibe opened the floor for nomination for that office. Director Blanchard volunteered to fill

the position. Director Brown nominated Director Blanchard for the position of Treasurer. Director Paruch seconded the nomination. The election was unanimous.

Discussion and Possible Action on Appeals of 2014 Assessments

Mr. Cusick advised the Board that the Assessment Appeals Sub-committee met on February 5, 2015 to hold informal hearings to receive and consider information submitted by 5 companies that had appealed their 2014 assessment amounts. He noted that a summary of each appeal, including the recommendation of the sub-committee, is included in the Board materials. Mr. Ringold noted that each company which had timely submitted an appeal of its assessment is entitled to a hearing of that assessment before the full Board, and each had been advised of such at the informal hearing. Chairman Scheibe asked if there were any representatives present from the companies appealing their assessments who wished to appear before the Board for a formal hearing. There being none, Chairman Scheibe presented the recommendations of the Sub-committee to the Board. They were:

Greens Port Industrial Park	Approve
Channel Biorefinery and Terminal	Deny
Intergulf Corporation	Approve
South Coast Terminals, LP	Approve
Westway Terminal Company LLC	Deny

Director Burke moved to accept the recommendations of the Sub-committee. Director Blanchard seconded the motion which passed unanimously.

Discussion and Possible Action Regarding Renewal of District Directors & Officers Insurance Coverages

Mr. Cusick advised the Board that two quotes for Director & Officer Insurance had been received. The existing broker, Ames & Gough, proposed renewing the current policy for a premium amount of \$7,222.00. A competing proposal was received from SIG/McDonald & Wessendorff (“SIG”) for \$5,500.00. Both policies are for \$5,000,000 per claim. However the SIG policy does not have an aggregate limit, or a deductible. Both proposals are for A.M. Best Rating A insurance companies. Director Woodring moved the acceptance of the SIG proposal for Director & Officers Insurance. Director Paruch seconded the motion which passed unanimously.

Presentation to Outgoing Director Curtis

Chairman Scheibe presented a Certificate of Appreciation to outgoing Director Clayton Curtis for his 5 years of service as Director, Treasurer, and Investment Officer for the District. Chairman Scheibe said appreciation was not a strong enough word to express the thanks and gratitude of the District. Director Curtis expressed his thanks to the Board for their service and support he had received over the years.

Status Report from the Greater Houston Port Bureau

Mr. Cusick presented the financial and investment reports to the Board and reported that the District's checking account balance for its general operating fund at the end of December was \$259,527.11, following direct deposits of \$126,009.00, Transfer from Money Market of \$100,000.00 and disbursements of \$76,262.19. He noted that the District's money market account balance was \$8,193,860.48 following deposits of \$1,344,000.00, Transfer to checking of \$100,000.00, and interest earned of \$312.70.

Mr. Cusick presented three (3) invoices for Board approval: (1) an invoice received from Harris County of \$39,828.28; (2) an invoice received from the Greater Houston Port Bureau of \$24,494.01, and an invoice from the City of Baytown for the 2012 Grant Match of \$35,999.75. Upon review of the invoices presented, Director Boehme moved that the financial report be approved and that said invoices be approved for payment. Director Brown seconded the motion, which passed unanimously.

Mr. Cusick advised that two (2) companies that are delinquent in payment of their 2013 base assessment, penalties and interest totaling \$24,990.00 were referred to Perdue, Brandon, Fielder, Collins & Mott, LLP, the District's delinquent assessment collection attorneys, on July 1, 2014 for further collection efforts.

Mr. Cusick advised the Board that, as of February 3, 2015, \$2,352,000.00 in 2014 Assessment payments had been received. Twenty-one (21) companies owe assessments of \$270,375.00 plus \$18,930.75 in penalty and interest. One (1) company has filed for bankruptcy, owing the District \$2,625.00. No penalty and interest can be charged following the date the company filed for bankruptcy.

Mr. Seeba briefed the Board members on the status of moving the Harris County Sheriff's Office Security Monitoring and Analysis Group ("SMAG") to the USCG Interagency Operations Center at Ellington Field.

CAPT Diehl reported that he met with the new Directors for turnover briefs at the GHPB offices to ensure that each incoming Director was prepared for their new duties. He suggested the Board begin thinking about a speaker for the Annual Luncheon, and made a recommendation relative to same.

Status Report – City of Houston

Mr. Richard Retz of the City of Houston ("City") advised the Board of aerial and marine patrols completed by the City during January 2015. He reminded the Board of the joint workshop with the United States Department of Homeland Security / Domestic Nuclear Detection Office to be held on February 13, 2015 at the USCG building.

Status Report – Harris County

Mr. Doug Adkinson said that Harris County had requested an extension from FEMA until March 31, 2017 for expenditure of funds and completion of the 2013 Port Security Grant Program (“PSGP”) awards scheduled to expire in August 2015. Director Woodring asked if the requests covered all PSGP recipients or just the County. Mr. Adkinson said he would check, since the County was no longer the fiscal intermediary for the 2013 PSGP.

Lt. Coleman gave the monthly HCSO report. He reported to the Board regarding waterside hours deployed, landside hours deployed, air hours deployed, and efforts of Deputies involved with industry meetings, OEM, drills, events and inspections. He also reported regarding hours worked by the SMAG Unit relative to monitoring of District cameras.

Legal Report – Schwartz, Page & Harding, LLP

Mr. Ringold advised he had nothing further of a legal nature to report to the Board.

Status Report – Houston Ship Channel Security System

Report deferred to executive Session.

Recess to Executive Session

At 2:55 P.M., Secretary Adamec read aloud the following notice:

“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:

Recess to Executive Session to discuss matters relating to security devices and personnel or security audits pursuant to §551.076, Texas Government Code; emergency response providers, risk of vulnerability assessments, encryption codes and security keys for communications systems, information prepared for the United States, Information relating to critical infrastructure, and information relating to security systems, all pursuant to §418.183(f), Texas Government Code; and to consult with the District’s attorney pursuant to matters authorized by §551.071, Texas Government Code.

Pursuant to the Government Code, Section 551, Subchapter E, a Certified Agenda of the closed meeting shall be prepared. The Board will reconvene in public session after the closed meeting is adjourned.”

At 3:36 P.M., the Board reconvened in open session. No action was taken relative to matters discussed in executive session

Consider Items for Future Meeting Agendas

No items were suggested.

Adjourn

At 3:36 PM Chairman Scheibe asked for a motion to adjourn. Director Boehme moved and Director Blanchard seconded that the meeting be adjourned. The motion passed unanimously.

Next Meeting

The next regular meeting of the Board is scheduled for Tuesday March 10, 2015, at 2:00 PM at the Shell Learning Center, 4400 Highway 225, Deer Park, Texas, subject to availability.

The above is a correct copy of the Minutes of the February 10, 2015, regular meeting of the Board of Directors of the Houston Ship Channel Security District



Todd Adamec, Secretary