

MINUTES

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

**Houston, Texas
March 8, 2011**

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on March 8, 2011 at 2:00 p.m. The meeting was held, open to the public, at the Port of Houston Authority, 111 East Loop North, Houston, Texas, in accordance with the duly posted Notice of Public Meeting. The roll was called of the officers and members of the Board, as follows:

Beth Bowles
Clayton Curtis, Treasurer
Greg DeLong, Vice Chair
Richard Henderson
Robin Riley, Chair
Gary Scheibe
Tom Schroeter, Secretary
Mark Skobel
Steve Stewart
Lawrence Waldron
Ray Yellig

and all of said persons were present, except Director Henderson, thus constituting a quorum.

Also present were Daniel Ringold and Mike Page of Schwartz, Page & Harding, LLP ("SPH"), counsel for the District, Mr. Rick Deel, Chair of the Houston Ship Channel Security District Advisory Council, and Mr. Al Cusick of the Greater Houston Port Bureau, administrator for the District.

Chairman Riley called the meeting to order at 2:07 p.m. Chairman Riley asked if anybody wished to address the Board. Nobody wished to do so. Chairman Riley acknowledged that Sheriff Adrian Garcia, Port Commissioner Elyse Lanier, Senior Vice President of Operations Jimmy Jamison (for PHA) and Chief of Police Mark Smith (for PHA), were also present.

Director Schroeter moved and Director Yellig seconded that the Minutes of the February 8, 2011 meeting be tabled for approval until the March meeting. Motion passed unanimously.

Chairman Riley read a letter from Judge Emmett regarding Security Zone Director appointments to the Board. The following directors were confirmed by the Harris County Commissioners Court to serve a two-year term on the Board.

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

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

Chairman Riley stated that former Director Harry Engelhardt, Jr. has been invited to the April 12, 2011 meeting to formally thank him for his service to the Board.

Harris County Sheriff Adrian Garcia gave a brief presentation to the Board regarding the funds requested of the District by the County to help pay for operational, maintenance and grant-matching costs of the County's project to enhance security in the District. Mike Page then gave a brief summary regarding the proposed Agreement between the District and Harris County that the Board will consider today regarding expenditure of these funds for District security.

Director Schroeter commented that he appreciated the Sheriff's remarks and his commitment to security in the District. He also cited Lieutenant Sparks' support to the Board in making the camera monitoring system available for inspection by the District's Board Members. Sheriff Garcia stated that every moment spent on security in the District was well worth the time.

Director Schroeter moved and Director Riley seconded that the Agreement between the District and Harris County be approved. Motion passed unanimously.

Mr. Ringold distributed a memorandum and gave the Board an update on HB2232 and SB1104 regarding proposed changes to Chapter 68 of the Texas Water Code. Mr. Page discussed with the Board the filing and procedural steps in seeking passage of these Bills.

Discussion ensued concerning the legal fees for proposed legislation. Mr. Page reminded the Board that the quoted fee for legal services relative to the proposed legislation was \$50,000 plus expenses, with half of such fee to be due upon introduction of the bill in the Texas House of Representatives and/or Senate, and the balance to come due upon the earlier of passage of the bill or the end of the current legislative session. In accordance with such proposal, he presented an invoice for the first installment of said fee. Director Waldron moved that the fee proposal, excluding expenses, be approved. Director Stewart commented that he felt that the charges were very reasonable and that the expenses were within the norm. No second was received on Director Waldron's motion.

Director Scheibe stated he would like the expenses to be more specific. He moved to accept the fee proposal including reasonable expenses not to exceed \$5,000, that the Chair be authorized to execute an engagement letter with SPH relative to same, and that 50% of the fee be paid at the present time in accordance with the proposal. Director Schroeter inquired as to whether SPH would continue to keep track of time expended in this matter and suggested that Director Schiebe's motion be amended to require that SPH continue to record hours expended on legislative work such that the Board can determine how the fee proposal compares to actual hours expended upon conclusion of the matter. Director Scheibe accepted the amendment. Director Stewart seconded the Motion. Motion passed unanimously. With these conditions, a written agreement may be executed by the District and law firm.

Chairman Riley called for a brief 10 minute recess at 3:05 p.m. Meeting reconvened at 3:15 p.m.

Chairman Riley stated that regarding Item 5 of the Agenda, Harris County has submitted a request for matching funds for Round 6. Discussion ensued on the payment of funds to Harris County. Director Bowles moved and Director Yellig seconded that the sum of \$2,985,068.00 be paid to Harris County in accordance with the Agreement with Harris County for enhancement of security in the District. Motion passed unanimously.

Mr. Deel gave an update of the Houston Ship Channel Security District Advisory Council. He stated that the Advisory Council currently had two openings by reason of Gary Scheibe's appointment to the Board and Bill Crews' acceptance of employment with outside industry. Captain Woodring has been added as a member of the Advisory Council representing the United States Coast Guard.

Mr. Deel stated that the Advisory Council requests that items for review by the Council be sent to them in written format. The items pending for review are the Request for Qualifications and Request for Proposals for the Project Management potential position. The next meeting of the Advisory Council will be March 16, 2011.

Director Schroeter recommended that the Advisory Council be given a copy of the Agreement between the District and Harris County. Chairman Riley stated that this would be done and requested that copies be given to the Advisory Council.

Mr. Cusick distributed to and discussed with the Board a written report regarding status of collections of assessments and administrative matters.. He stated that \$5,000,000 of Directors & Officers insurance coverage had been obtained. Director DeLong moved and Director Skobel seconded that the report be accepted. Motion passed unanimously.

Item 9 on the Agenda will be discussed at the April meeting. (Project Management)

Director DeLong stated that he would like to the following goals to be a part of the Board's five year plan:

- evaluate the adequacy of the County's camera/radar/radiation detection systems, their monitoring, and law enforcement patrols.

- consider hiring a contractor to measure how the Security Project items and Security Services funded through assessments and Federal Homeland Security grant funds address the security gaps identified in the Port-wide Risk Assessment

- develop a 5-year vision for future port security projects

- hire a Project Management team, which could monitor progress daily; provide input to future security issues/needs; develop further grant requests

The Board next considered the approval of a Public Funds Depositor Collateral Security Agreement (the "Agreement") with Amegy Bank, N.A. ("Amegy"). Mr. Ringold reviewed the Agreement with the Board and advised that it provides the terms by which Amegy will pledge collateral with a third party custodian to secure the portion of the District's interest bearing deposits with Amegy that exceed the \$250,000 FDIC insurance limits. He further advised that Amegy is proposing that the Federal Home Loan Bank of Dallas ("FHLB Dallas") be selected to serve as the third party custodian. The Board indicated its concurrence with the selection of FHLB Dallas as custodian. Director Schroeter moved to approve the Agreement, seconded by Director Curtis. Motion passed unanimously.

Director Schroeter moved that the following procedures be adopted for the Election of Officers in accordance with the District's Bylaws:

That we elect the officer positions of Chair, Vice Chair, Secretary and Treasurer.

That we elect these positions one at a time.

That the Chairman ask for nominations for these offices in the following order:

Chair
Vice Chair
Secretary
Treasurer

Both self-nominations and nominations of others are allowed. That if no one is nominated for a given office, that the Chair entertain a motion to table the election for that position until next month, with the current officer being asked to remain in that position until said election .

That if one or more persons are nominated for a given office, that the Chair shall then call for a vote of the Directors of the Security District on such person or persons so nominated.

That, prior to the vote upon any officer position, if any Director asks for a covered, written ballot, then the voting shall proceed by such procedure, and the votes shall be counted by at least one Director not running for such office and a non-Director designated by the Chair. If no Director asks for a covered, written vote, then the vote shall be taken by show of hands, voice acclamation or such other method as designated by the Chair.

That if a nominee receives a majority of the votes actually cast, then that person is elected to the given office.

That if no nominee for an office receives a majority of the votes actually cast, the Chair shall call for a new vote on such position by the Board solely between the top two vote getters in the prior vote. That the Chair shall, if necessary, call for successive new votes until a nominee receives a majority of the votes actually cast. After two such successive votes, the Chair shall entertain a Motion to table the vote for such office until next meeting and ask the current officer to remain in such position until such new vote is taken.

The ballots shall be retained by the newly elected Secretary in the records of the District.

The Secretary shall enter the names of the newly elected officers in the Minutes of this meeting.

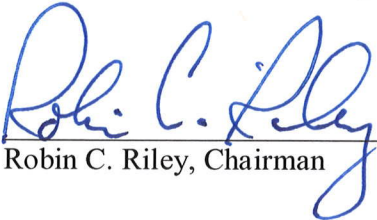
Director Schroeter also stated that the term of each officer shall be one year. Director Stewart seconded the Motion. Motion passed unanimously.

Director Skobel nominated Chairman Riley for Chairman – motion passed unanimously
Director Schroeter nominated Director DeLong for Vice Chair – motion passed unanimously
Director DeLong nominated Director Schroeter for Secretary – motion passed unanimously
Director Bowles nominated Director Curtis for Treasurer – motion passed unanimously

There being no further business to come before the Board Director Bowles moved that the meeting be adjourned, Director Stewart seconded. Motion passed unanimously. Meeting adjourned at 4:45 p.m.

Next scheduled meeting of the Houston Ship Channel Security District Board of Directors is Tuesday, April 12, 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 March 8 2011, meeting of the Board of Directors of the Houston Ship Channel Security District.



Robin C. Riley, Chairman

ATTEST:



Thomas G. Schroeter, Secretary