

MINUTES

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

**Houston, Texas
July 8, 2010**

The special meeting of the Board of Directors of the Houston Ship Channel Security District was convened on July 8, 2010 at 2:12 p.m. The meeting was held at the Port of Houston Authority, Executive Building Board Room, Fourth Floor, 111 East Loop North, Houston, Texas 77029. The following Directors were present:

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

Richard Henderson and Clayton Curtis were absent. Also present was Mr. Daniel Ringold of Schwartz, Page & Harding, LLP, counsel to the District.

Chairman Riley called the meeting to order at 2:12 p.m.

Chairman Riley asked if anybody wished to address the Board. No one wished to do so.

Chairman Riley proceeded to read the following documents prepared by Schwartz, Page & Harding (Mr. Daniel Ringold) which is attached hereto and incorporated as part of these Minutes:

- a. Order Calling Hearing on Assessment Plan
- b. Exhibit "A" – Notice of Public Hearing
- c. Attachment I – General Nature of Security Project and Security Services
- d. Attachment II – Estimated Costs
- e. Attachment III – Proposed Plan and Method of Assessment

After a discussion regarding the above documents, it was moved by Director Waldron and seconded by Director Stewart that attachment III be adopted with the following amendments:

1. Column 3 of the table should include the word MTSA
2. Add Footnote No. 5 stating what MTSA stands for
3. Also include in Footnote No. 5, a statement that assessments of facilities that were not MTSA-regulated would be determined by the lowest level associated with their personnel.

Motion passed unanimously.

A discussion was held regarding the location and date of the meeting for the Public Hearing. Director Riley moved and Director Skobel seconded that the Public Hearing on the assessments for the District be held on Tuesday, August 17, 2010 at Celanese Ltd., 9502 Bayport Boulevard, Pasadena, Texas 77507. Motion passed unanimously.

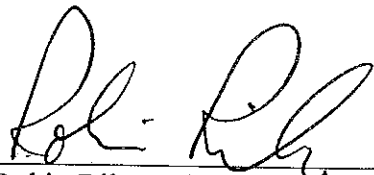
Director Schroeter asked Doug Adkinson of Harris County if he could give the Board an update on the security projects at their next meeting. Director Waldron also asked that Mr. Adkinson advise the Board of the particular phases of the projects.

Chairman Riley called for a Motion regarding Exhibit "A", "Notice of Public Hearing", asking that a motion be put forth to adopt Exhibit "A" as the formal notice. Director Schroeter moved and Director Yellig seconded. Motion passed unanimously.

Director Stewart moved to adjourn the meeting, Director Engelhardt, Jr. seconded the motion. Motion passed unanimously. Meeting adjourned at 3:10 p.m.

Next scheduled meeting of the Houston Ship Channel Security District Board of Directors, Tuesday, July 13, 2010 at 9:30 p.m. at the Port of Houston Authority.

The above is a correct copy of the Minutes of the July 8, 2010, Special Meeting of the Board of Directors of the Houston Ship Channel Security District.



Robin Riley, Chairman

ATTEST:



Thomas G. Schroeter, Secretary

ORDER CALLING HEARING ON ASSESSMENT PLAN

WHEREAS, the Houston Ship Channel Security District (the "District"), on petition of the owners of a majority of the facilities within the proposed District and the owners of a majority of the assessed value of the facilities within the proposed District, has been heretofore duly created and organized pursuant to the provisions of Chapter 68, Texas Water Code (the "Act"), and by an order of the Harris County Commissioners Court, dated June 9, 2009; and

WHEREAS, the primary purposes of the District are to plan, establish, develop, construct, renovate, maintain, repair, replace, operate or contract with other public or private persons for the joint use and implementation of security projects and security services which promote or aid security within the District; and

WHEREAS, local government and business leaders, in concert with information technology and security professionals, have heretofore formed the Houston Ship Channel Security Council (the "Council") which, through Harris County, the Port of Houston Authority ("POHA") and other governmental entities, has secured more than \$30,000,000 in federal grant funding and has developed a plan for enhanced security improvements and infrastructure for the Houston Ship Channel's waterside and landside facilities, as well as for associated supply chain and support industries supporting the Houston Ship Channel region; and

WHEREAS, in order to leverage such federal grant funding, local matching funds will be required for infrastructure and improvement construction and acquisition (the "Security Project") and for the operation, maintenance, upkeep and administration of the Security Project (the "Security Services"); and

WHEREAS, the District and Harris County now propose to enter into an agreement (the "Project Agreement") pursuant to the authority of the Act, the Interlocal Cooperation Act and the general and special laws of the State of Texas, whereby Harris County, in cooperation with the District, POHA, the Council and other public and private entities, will implement the Security Project and the Security Services for the joint use and benefit of Harris County and the District, and the facilities located within and adjacent to the District, and the District will provide financial assistance to defray the local matching share of the Security Project and the operational and administrative costs of the Security Services; and

WHEREAS, the Board of Directors (the "Board") of the District has heretofore appointed a Budget/Assessment Committee (the "Committee") to review and consider in detail the estimated costs to the District of the Security Project and the Security Services pursuant to the Project Agreement and to make recommendations to the Board concerning same; and

WHEREAS, such Committee has recommended to the Board a plan, amount and method of assessments to finance the District's share of the costs of the Security Project and Security Services; and

WHEREAS, based upon the recommendations of the Committee, the Board has determined that an equitable apportionment of the costs of the Security Project and the Security Services should take into account and compare both the particular costs associated with the protection of human life and the employees, contractors and other personnel of the owners of facilities within the District, as well as the particular costs associated with waterside land areas within the District having direct or indirect water access to the Houston Ship Channel and subject to the Maritime Transportation Security Act of 2002; and

WHEREAS, pursuant to Section 68.302 of the Act, before the District may finance its share of the costs of the Security Project and Security Services under the Project Agreement, the Board must first call and conduct a public hearing on the advisability of the Security Project and Security Services and the proposed assessments to finance same; Now, therefore,

BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE HOUSTON SHIP CHANNEL SECURITY DISTRICT, THAT:

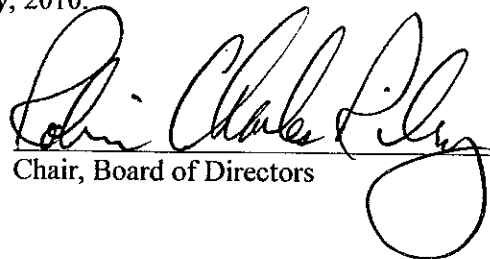
Section 1: A public hearing is hereby called for and shall be held and conducted on Tuesday, August 17, 2010, at 9:30_ a.m., at 9502 Bayport Boulevard, Pasadena, Texas 77507, within the boundaries of the District, to consider the advisability of the proposed Security Project and Security Services of the District, and the proposed assessments to be made by the District to finance the Security Project and Security Services. Such hearing shall be open to the public and shall be conducted by the Board. Any interested person, including, without limitation, any owner of any facility within the District, or any such owner's representative(s), shall have the right to appear and offer testimony or documentary evidence for, against or on the advisability of the District's proposed Security Project and Security Services and the District's proposed assessments to finance such Security Project and Security Services.

Section 2: Not later than the thirtieth (30th) day before the date of such public hearing, notice shall be provided of such hearing by certified mail, return receipt requested, to each owner of a facility within the District at the current address of each facility, according to the appraisal record maintained by the Harris County Appraisal District for such facility under Section 25.02, Texas Tax Code. Such notice shall be in substantially the form set forth in Exhibit "A" attached hereto.

Section 3: Such public hearing may be adjourned from time to time by the Board. Upon the conclusion of such hearing, the Board by resolution will make its findings relating to the nature, advisability and estimated costs of the proposed Security Project and Security Services, the facilities within the District to be benefitted, the method of assessment to finance such costs and the method and time for payment of such assessments. In accordance with such findings, the Board may impose an assessment against all facilities within the District or against any portion of the facilities within the District.

Section 4: At or upon conclusion of such public hearing, the Board will hear and rule upon all objections to each proposed assessment.

PASSED and ADOPTED this 8th day of July, 2010.


Chair, Board of Directors

ATTEST:


Secretary, Board of Directors

(SEAL)

EXHIBIT "A"

NOTICE OF PUBLIC HEARING

Notice is hereby given that the Board of Directors of the Houston Ship Channel Security District (the "District") has called and will hold and conduct a public hearing on Tuesday, August 17, 2010, at 9:30 a.m., at 9502 Bayport Boulevard, Pasadena, Texas 77507, within the boundaries of the District, on the advisability of the District's proposed Security Project and Security Services and the proposed assessments to be made by the District against facilities within the District to finance the costs of same.

The general nature of the Security Project and Security Services are described in Attachment I hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

The estimated costs of the Security Project and Security Services are set forth in Attachment II hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

The proposed method of assessment against facilities within the District to finance the costs of the Security Project and Security Services is set forth in Attachment III hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

YOU WILL THEREFORE TAKE NOTICE OF THE FOREGOING.


Secretary, Board of Directors
Houston Ship Channel Security District

ATTACHMENT I

GENERAL NATURE OF SECURITY PROJECT AND SECURITY SERVICES

Includes blanket intruder detection and enhanced security coverage for waterside and landside facilities along the Houston Ship Channel and the associated supply chain and support industries located within the boundaries of the Houston Ship Channel Security District.

Deliverables include: a wireless and fiber optic-wired communications system that features closed circuit video cameras and radar detection systems along waterways, roadways and bridges; computerized video analysis; prevention and detection of landside and underwater threats by use of night vision, motion detection, radar, sonar and other security sensing devices; enhanced radio communication interoperability for public safety first responders and industry partners; increased landside and waterside security visibility and capability with marked patrol boats, patrol cars and all terrain vehicles; and associated support systems, and technology, law enforcement, management and administrative services and personnel, including information sharing, alerts and notifications through a consolidated, multi-agency operational and strategic command and control emergency response structure.

ATTACHMENT II

ESTIMATED COSTS

The total estimated costs of the Security Project are approximately \$36,344,000 for infrastructure, improvements and equipment. The estimated District share of the Security Services, including operations, maintenance, upkeep and District administration costs, is \$5,580,000, including a contingency allowance of \$720,000. The balance of the Security Project and Security Services costs, if any, will be funded by federal grant funds or other sources, persons or agencies.

The Security Project and the Security Services will be deliverable in four (4) Phases:

Phase 1

The estimated cost of the initial phase of the Security Project is \$17,017,000, with no requirement for local matching funds from the District.

Phases 2, 3 and 4

The second, third and fourth phases of the Security Project and Security Services will require (i) a 25% (3:1) local matching share from the District over three (3) annual fiscal periods from September 1 to August 31, of an estimated total of \$5,150,000 for the Security Project, and (ii) an estimated total of \$5,580,000 in funding from the District over the same three (3) fiscal years for Security Services, as follows:

Income (\$1,000's):	2010	2011	2012
Assessments	\$ 3,815	\$ 3,815	\$ 3,815
Carry Forward	0	13	68
Interest Earnings	0	1	7
Subtotal	\$ 3,815	\$ 3,828	\$ 3,883
Expenses (\$1,000's):			
Security Project Matching Funds	\$ 3,040	\$ 1,695	\$ 410
Security Services - O&M	570	1,812	2,500
- District Administration	192	253	253
Subtotal	\$ 3,802	\$ 3,760	\$ 3,163
Net (\$1,000's)	\$ 13	\$ 68	\$ 720

ATTACHMENT III

PROPOSED PLAN AND METHOD OF ASSESSMENT

The security and protection of human life, including employees, contractors and other personnel of the owners of facilities within the District, may require different methods, equipment, tactics and technology, implemented at different cost levels, than the security and protection of facility sites with direct or indirect water access from the Houston Ship Channel and subject to the Maritime Transportation Security Act ("MTSA"). Similarly, the costs of protection of personnel may increase disproportionately in areas of higher population concentration, while the costs of protecting such facility sites with water access may decrease disproportionately with the size of the land area. Equitable apportionment of the costs of the proposed Security Project and Security Services, taking into account these varying circumstances, requires a comparison of these factors to determine the benefits to each facility and, therefore, the proper resulting allocation of costs proportionate to the benefits to be realized. Accordingly, the proposed method and plan of assessment apportions costs to a facility based upon the greater of the costs incurred and benefits received through each approach, as follows:

Category ¹		No. of Personnel ²		Waterside MTSA-Regulated Facility Acreage ³	Annual Amount ⁴
1	Less Than		Less Than	10	\$ 5,000
		40		25	15,000
		40		50	25,000
		40		150	45,000
		40		700	65,000
		40		1000	95,000
2	Less Than		Less Than	25	\$ 15,000
		100		50	25,000
		100		150	45,000
		100		700	65,000
		100		1000	95,000
3	Less Than		Less Than	50	\$ 25,000
		250		150	45,000
		250		700	65,000
		250		1000	95,000
4	Less Than		Less Than	150	\$ 45,000
		500		700	65,000
		500		1000	95,000
5	Less Than		Less Than	700	\$ 65,000
		1000		1000	95,000
6	Less Than	1500	Less Than	1000	\$ 95,000
7	Less Than	2500		n/a	\$150,000
8	Less Than	3500		n/a	\$200,000
9	Greater Than	3499		n/a	\$250,000

- ¹ Multiple facilities within the District under one ownership, one holding company or affiliated ownerships may, but need not, be aggregated by number of personnel or acreage by the District for purposes of assessment and/or security and collection of such assessment.
- ² The number of personnel associated with each facility will be determined by the District on the basis of the best and most reliable information available to the District, including information from self-reporting by owners, estimates from the East Harris County Manufacturers Association, and other sources or estimates.
- ³ The land area of waterside facility sites within the District will be determined by the District on the basis of the best and most reliable information available to the District, including information from self-reporting by owners, public records and/or the Harris County Appraisal District. The term "Waterside Facility" means a "facility" as defined in §70101 of MTSA.
- ⁴ The total assessment of each facility within the District for the proposed Security Project and Security Services is proposed to be payable in three (3) equal, annual installments, without interest, as set forth in this column. Facilities within the District that are not subject to MTSA shall be assessed on the basis of Number of Personnel without regard to Waterside Facility Acreage, and shall be assessed the lowest Annual Amount within the applicable Category.
- ⁵ MTSA, whenever used in this attachment, refers to the Maritime Transportation Safety Act.