

# **Matagorda Bay Mitigation Trust**

Financial Statements

December 31, 2023 and 2022

# Matagorda Bay Mitigation Trust

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## Independent Auditors' Report

To the Trustee of  
Matagorda Bay Mitigation Trust

### Opinion

We have audited the financial statements of Matagorda Bay Mitigation Trust (the Trust), which comprise the statements of net assets as of December 31, 2023 and 2022, and the related statements of changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

*Baker Tilly US, LLP*

New York, New York  
February 9, 2024

## Matagorda Bay Mitigation Trust

### Statements of Net Assets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 21,877,919	\$ 21,269,368
Investments in U.S. Treasury securities	25,214,756	12,997,372
Mitigation projects funding receivable	10,000,000	20,000,000
Additional mitigation payment receivable	540,000	475,000
Prepaid expenses and other assets	104,940	3,246
	<u>57,737,615</u>	<u>54,744,986</u>
<b>Liabilities</b>		
Accounts payable	35,098	27,423
Federal Income tax payable	265,000	-
Mitigation project payable, awarded	39,480,904	37,437,349
Mitigation project payable, unawarded	2,274,791	3,116,060
	<u>42,055,793</u>	<u>40,580,832</u>
Net assets	<u>\$ 15,681,822</u>	<u>\$ 14,164,154</u>

See notes to financial statements

## Matagorda Bay Mitigation Trust

### Statements of Changes in Net Assets

Years Ended December 31, 2023 and 2022

<b>Net Assets, January 1, 2022</b>	<u>\$ 10,681,496</u>
Increase (decrease) in net assets:	
Trust funding, additional mitigation payments	5,810,000
Trust income (Note 9)	416,517
Trust expenses (Note 9)	(236,007)
Committed funding, approved contracts	<u>(2,507,852)</u>
Net increase in net assets	<u>3,482,658</u>
<b>Net Assets, December 31, 2022</b>	<u>14,164,154</u>
Increase (decrease) in net assets:	
Trust funding, additional mitigation payments	5,160,000
Trust income (Note 9)	2,107,783
Trust expenses (Note 9)	(807,161)
Committed funding, approved contracts	<u>(4,942,954)</u>
Net increase in net assets	<u>1,517,668</u>
<b>Net Assets, December 31, 2023</b>	<u><u>\$ 15,681,822</u></u>

See notes to financial statements

# Matagorda Bay Mitigation Trust

## Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Net change in net assets	\$ 1,517,668	\$ 3,482,658
Net change in operating assets and liabilities:		
Increase in prepaid expenses and other assets	(101,694)	(93)
Decrease in mitigation projects funding receivable	10,000,000	10,000,000
(Increase) Decrease in trust funding receivable	(65,000)	785,000
Increase (Decrease) in accounts payable	7,675	(2,994)
Increase in Federal income tax payable	265,000	-
Increase in mitigation projects payable, awarded	2,043,555	709,088
Decrease in mitigation projects payable, unawarded	(841,269)	(799,776)
	<u>12,825,935</u>	<u>14,173,883</u>
Net cash provided by operating activities		
	<u>12,825,935</u>	<u>14,173,883</u>
<b>Investing Activities</b>		
Purchase of investments in U.S. Treasury bills	(12,217,384)	(12,997,372)
	<u>(12,217,384)</u>	<u>(12,997,372)</u>
Net cash used in investing activities		
	<u>(12,217,384)</u>	<u>(12,997,372)</u>
Increase in cash and cash equivalents	608,551	1,176,511
<b>Cash and Cash Equivalents, Beginning</b>	<u>21,269,368</u>	<u>20,092,857</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 21,877,919</u>	<u>\$ 21,269,368</u>
<b>Supplementary Information</b>		
Cash paid for income taxes	<u>\$ 198,750</u>	<u>\$ -</u>

See notes to financial statements

# Matagorda Bay Mitigation Trust

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Notes to Financial Statements  
December 31, 2023 and 2022

## 1. Description of Trust

### Establishment of Trust

The Matagorda Bay Mitigation Trust (the Trust) has been established by order of the U.S. District Court for the Southern District of Texas, Victoria Division. On July 31, 2017, a federal Clean Water Act lawsuit was filed by San Antonio Bay Estuarine Waterkeeper and S. Diane Wilson, (Plaintiffs), against Formosa Plastics, Corp., Texas and Formosa Plastics, Corp. U.S.A. (collectively Formosa or Defendants), alleging illegal discharges from Formosa's plant located in Point Comfort, Texas (Civil Action No. 6:17-CV-47). On June 27, 2019, a declaratory judgement was issued against Formosa for monetary and injunctive relief after which a settlement was reached that included Formosa's commitment to undertake engineering changes, future monitoring, mitigation payments for future infractions and remediation of past discharges. The settlement also provided, by Final Consent Decree dated December 6, 2019 (the Consent Decree), for the establishment of the Trust to be funded by the Defendants in the amount of \$50 million over a five-year period.

These financial statements should be read in conjunction with the Consent Decree.

In February 2020, Steven J. Raabe, P.E. (the Trustee) was appointed, by agreement of the parties to the suit, to serve as Trustee of the Trust.

The Trust was subsequently formed on May 8, 2020 upon the execution of a Trust Agreement by the Trustee and representatives of the Plaintiffs and Formosa.

The Trustee administers the Trust under the terms of the Trust Agreement, the Consent Decree, and applicable trust law of the State of Texas. Accordingly, the Trustee has broad powers and sole discretion and decision authority in the administration of the irrevocable Trust, which is the exclusive holder of the trust assets and accounts.

The Trust is classified as a Qualified Settlement Fund for which the Trustee serves as Administrator.

The mission of the Matagorda Bay Mitigation Trust is to support and fund environmental mitigation projects, studies and initiatives in the Matagorda Bay and San Antonio Bay ecosystems and other purposes allowed under the Consent Decree.

The Trust carries out its stated mission and purpose through the implementation of five specific projects defined in the Consent Decree and Trust Agreement, and through an array of additional projects to be developed by the Trust through a public Request for Proposals process.

The Consent Decree and the Trust Agreement define five specific projects for the Trust to carry out with total funding of \$33,750,000. Each such project, by Decree, has its specific budget allocation. Inasmuch as these amounts are earmarked specifically for these defined "beneficiaries" of Trust funds, the entire amount is recorded as a liability entitled Mitigation Projects Payable. This liability is reduced by interim project payments made to such beneficiaries.

The remaining \$16,250,000 of the initial funding is used for additional environmental research and mitigation projects to be developed by the Trust through a public Request for Proposals process and for Trust administration expenses.



# Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2023 and 2022

## Funding of Trust

The Trust is funded with Mitigation Trust Payments according to the terms of the Consent Decree. Formosa is required to tender five equal annual payments of \$10,000,000 over a five year period for total funding of \$50,000,000. Formosa tendered their first annual payment, in compliance with the Consent Decree and under the terms of the Trust Agreement, on May 19, 2020 in the stipulated amount of \$10,000,000. Subsequent annual payments by Formosa are due no later than May 26 of each year through 2024. This future funding is shown as mitigation projects funding receivable on the statements of net assets.

Additionally, as stipulated in the Consent Decree, independent third party monitors are appointed to conduct periodic tests on surrounding water ways in the Matagorda Bay area to determine if any violations are identified. Violations are defined as excess waste (i.e. plastics or additional discharges polluting the water ways) that can be traced back to the operations at Formosa subsequent to the formation of the Trust. Violation fines per the Consent Decree are set at a fixed rate of \$30,000 and \$25,000 per violation for the years ended December 31, 2023 and 2022, respectively, and are presented as additional mitigation payments on the statement of changes in net assets. For the years ended December 31, 2023 and 2022, there was \$5,160,000 and \$5,810,000 in awarded funding, respectively.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Cash and Cash Equivalents

The Trust maintains its cash deposits with financial institutions. All highly-liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents, including all money market funds. At times, a portion of the cash and cash equivalents may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. At December 31, 2023 and 2022, all of the Trust's cash and cash equivalents were held at Falls City National Bank and Sendero Wealth Management and consists of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 36,805	\$ 65,227
Money market	11,490,394	1,985,215
Money market fund	<u>10,350,720</u>	<u>19,218,926</u>
Total cash and cash equivalents	<u>\$ 21,877,919</u>	<u>\$ 21,269,368</u>

### Investments in U.S. Treasury Securities

Investments in U.S. Treasury securities consist of investments in debt securities, specifically in U.S. Treasury securities. Any investments in U.S. Treasury securities that have original maturities of three months or less are classified as cash equivalents on the statements of net assets. Any investments in U.S. Treasury securities that have original maturities of more than three months are classified as investments in U.S. Treasury securities on the statements of net assets. Any unrealized gains and losses are included in income on the Trust income and expenses (Note 9). The fair value of U.S. Treasury securities are based on quoted market prices in an active market, and are included in the Level 1 fair value hierarchy.

# Matagorda Bay Mitigation Trust

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Notes to Financial Statements  
December 31, 2023 and 2022

## Mitigation Projects Payable, Awarded

This represents funds due to beneficiaries for projects specifically defined by the Consent Decree and Trust Agreement as well as the additional projects awarded by the Trust through a public Request for Proposals process.

## Mitigation Projects Payable, Unawarded

This represents funds under paragraph 61 of the Consent Decree that have not yet been awarded for individual environmental research mitigation projects.

## Fiduciary Net Position

Represents the net discretionary funds available to the Trustee for other environmental and mitigation projects as well as funds for administration and other expenses of the Trust. The amounts of \$15,681,822 and \$14,164,154 as of December 31, 2023 and 2022, respectfully, are represented as net assets.

## Income Taxes

Under the terms of the Matagorda Bay Mitigation Trust Agreement, the Trust will qualify as, and remain, a "Qualified Settlement Fund" within the meaning of § 468B of the Internal Revenue Code (IRC), 26 U.S.C. § 468B and the Regulations promulgated pursuant thereto and codified at 26 C.F.R. §§ 1.468B-1 through 1.468B-5. Transferor shall be classified as a "transferor" within the meaning of Regulation § 1.468B-1(d)(1), 26 C.F.R. § 1.468B-1(d)(1). The Trustee shall be classified as the "administrator" within the meaning of Regulation § 1.468B-2(k)(3), 26 C.F.R. § 1.468B-2(k)(3). Accordingly, if appropriate, the Trustee shall elect to apply settlement fund rules by filing a "§ 1.468B-5(b)(2) Election."

It is further intended that all transfers to the Trust will satisfy the "all events test" and the "economic performance" requirements of § 461(h)(1) of the IRC, 26 U.S.C. § 461(h)(1) and the Regulation § 1.461-1(a)(2), 26 C.F.R. § 1.461-1(a)(2). As such, the Transferor shall not be taxed on the income of the Trust. The Trust shall be taxed on its modified gross income, excluding the sums or cash equivalents of things, transferred to it. In computing the Trust's modified gross income, deductions shall be allowed or, inter alia, administrative costs and other incidental deductible expenses incurred in connection with the operation of Trust, including, without limitation, state and local taxes and legal, accounting and actuarial fees relating to the operation of the Trust. All such computations of the Trust's modified gross income, as well as any exclusions or deductions thereto, shall be compliant and consistent with Treasury Regulation § 1.468B-2(b)(1)-(4), 26 C.F.R. § 1.468B-2(b)(1)-(4).

The Matagorda Bay Mitigation Trust, whose beneficiaries are comprised only of governmental entities and organizations that qualify as nonprofit under the IRC, is required to file, by April 15 of each year, Form 1120-SF (U.S. Income Tax Return for Settlement Funds). Accordingly, the Trust shall pay applicable taxes, if any, with respect to the Trust in a manner consistent with the provisions of applicable law. As of and for the years ended December 31, 2023 and 2022, income tax expenses totaled \$463,750 and \$0, respectively.

## Use of Estimates in Financial Statements

The preparation of the financial statements in conformity with U.S. GAAP may require the Trustee to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Recent Accounting Pronouncements

The Trust has assessed recent accounting pronouncements and determined that there are none that would be expected to have a material impact on the financial statements.

# Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2023 and 2022

### 3. Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The Trust's cash equivalents are presented as provided by this hierarchy.

Level 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets and liabilities that the Trust has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets or liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Trust had no assets or liabilities that are measured with Level 2 inputs at December 31, 2023 and 2022.

Level 3 - Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies or similar techniques taking into account the characteristics of the asset or liability. The Trust had no assets or liabilities that are measured with Level 3 inputs at December 31, 2023 and 2022.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table presents information about the Trust's assets measured at fair value at December 31, 2023 and 2022 as well as the valuation techniques used by the Trust to determine those fair values.

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market	\$ 11,490,394	\$ -	\$ -	\$ 11,490,394
Money market fund	10,350,720	-	-	10,350,720
Investments:				
U.S. treasury securities	25,214,756	-	-	25,214,756
Total	<u>\$ 47,055,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,055,870</u>
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market	\$ 1,985,215	\$ -	\$ -	\$ 1,985,215
Money market fund	19,218,926	-	-	19,218,926
Investments:				
U.S. treasury securities	12,997,372	-	-	12,997,372
Total	<u>\$ 34,201,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,201,513</u>

# Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2023 and 2022

The following are description of the valuation methodologies used for assets measured at fair value.

Due to their short-term liquid nature, the fair value of cash equivalents approximates carrying value.

U.S. Treasury securities are all considered investments as the original maturity is greater than three months. There were approximately \$285,000 of unrealized gains recorded on investments as of December 31, 2023. As of December 31, 2022, the Trust held approximately \$25,215,000 in U.S. Treasury securities. The U.S. Treasury securities held as of December 31, 2023 will mature at various dates throughout 2024.

The Trust's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no such transfers during the years ended December 31, 2023 and 2022.

## 4. Mitigation Projects Funding Receivable

The following are the defined funding over the life of the Consent Decree and Trust Agreement and the funding allocation based on annual payments received.

Beneficiary	Funding Over Life of Consent Decree	Mitigation Projects Funding Receivable as of January 1, 2022	2022 Funding Allocation	Mitigation Projects Funding Receivable as of December 31, 2022	2023 Funding Allocations	Mitigation Projects Funding Receivable as of December 31, 2023
Par. 56-60 (Consent Decree):						
Federation of Southern Cooperatives	\$ 20,000,000	\$ 13,000,000	\$ 4,000,000	\$ 9,000,000	\$ 4,000,000	\$ 5,000,000
Green Lake Park	10,000,000	6,000,000	2,000,000	4,000,000	2,000,000	2,000,000
Port Lavaca YMCA	750,000	525,000	150,000	375,000	150,000	225,000
University of Texas Marine Science Institute	1,000,000	600,000	200,000	400,000	200,000	200,000
Calhoun County	2,000,000	1,000,000	1,000,000	-	-	-
	33,750,000	21,125,000	7,350,000	13,775,000	6,350,000	7,425,000
Par. 61 (Consent Decree):						
Environmental Research Mitigation Projects	5,000,000	3,000,000	1,000,000	2,000,000	1,000,000	1,000,000
Par. 62 (Consent Decree):						
Matagorda Bay Mitigation Trust	11,250,000	5,875,000	1,650,000	4,225,000	2,650,000	1,575,000
Totals	<u>\$ 50,000,000</u>	<u>\$ 30,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>

The Trust is allocated a total of \$11,250,000 from the Consent Decree paragraph 62 to cover expenses and to award funds for the benefit of the waterbodies and public interest. Funds will be awarded based on a Request for Proposals process conducted annually. Funds awarded will be recorded as mitigation project payable, awarded and reduced from net assets. For the years ended December 31, 2023 and 2022, there was \$4,942,957 and \$2,507,852 in committed funding awarded, respectively.

Any additional Mitigation Payments due from Formosa as a result of Consent Decree violations (as defined) will be allocated to the Trust to award funds for the benefit of the waterbodies and public interest under paragraph 62. For the years ended December 31, 2023 and 2022, there was \$5,160,000 and \$5,810,000 in additional mitigation payments, respectively. At December 31, 2023 and 2022, \$540,000 and \$475,000, respectively, were recorded as additional mitigation payments receivable on the statements of net assets.

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2023 and 2022

### 5. Mitigation Project Payable, Awarded

The following are defined projects in the Consent Decree and Trust Agreement. The Trust made distributions for four projects in 2023 and 2022, as stipulated. Amounts are paid out for each respective contracts when qualifying expenses are submitted and approved by the Trust for distribution to the beneficiary. Accordingly, at December 31, 2023 and 2022, the Trust had outstanding contracts as follows:

Beneficiary	2023			
	Unpaid Balance of Total Funding as of January 1, 2023	Committed Funding Approved Projects 2023	Approved and Paid Project Costs 2023	Unpaid Balance of Total Funding as of December 31, 2023
Par. 56-60 (Consent Decree):				
Federation of Southern Cooperatives	\$ 19,627,568	\$ -	\$ 312,558	\$ 19,315,010
Green Lake Park	9,815,061	-	161,053	9,654,008
Port Lavaca YMCA	381,816	-	153,906	227,910
University of Texas Marine Science Institute	534,360	-	151,957	382,403
Calhoun County	2,000,000	-	-	2,000,000
Par. 61 (Consent Decree):				
Environmental Research Mitigation Projects	966,894	841,269	722,029	1,086,134
Par. 62 (Consent Decree):				
Matagorda Bay Mitigation Trust	4,111,650	4,942,957	2,239,168	6,815,439
Totals	<u>\$ 37,437,349</u>	<u>\$ 5,784,226</u>	<u>\$ 3,740,671</u>	<u>\$ 39,480,904</u>
Beneficiary	2022			
	Unpaid Balance of Total Funding as of January 1, 2022	Committed Funding Approved Projects 2022	Approved and Paid Project Costs 2022	Unpaid Balance of Total Funding as of December 31, 2022
Par. 56-60 (Consent Decree):				
Federation of Southern Cooperatives	\$ 19,813,785	\$ -	\$ 186,217	\$ 19,627,568
Green Lake Park	9,929,789	-	114,728	9,815,061
Port Lavaca YMCA	538,927	-	157,111	381,816
University of Texas Marine Science Institute	750,556	-	216,196	534,360
Calhoun County	2,000,000	-	-	2,000,000
Par. 61 (Consent Decree):				
Environmental Research Mitigation Projects	798,041	799,776	630,923	966,894
Par. 62 (Consent Decree):				
Matagorda Bay Mitigation Trust	2,897,163	2,507,852	1,293,365	4,111,650
Totals	<u>\$ 36,728,261</u>	<u>\$ 3,307,628</u>	<u>\$ 2,598,540</u>	<u>\$ 37,437,349</u>

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2023 and 2022

### 6. Mitigation Project Payable, Unawarded

In the Consent Decree and Trust Agreement paragraph 61 allocates \$5,000,000 for funding for environmental research regarding the Bay Systems, or the river deltas in Calhoun or Jackson Counties feeding into those systems. Funds will be awarded based on an application process conducted annually. Funds Awarded will be recorded as mitigation project payments, awarded and reduce the mitigation project payable, unawarded balance. For the years ended December 31, 2023 and 2022, there was \$841,269 and \$799,776, respectively, in committed funding approved.

Beneficiary	2023		
	Unpaid Balance of Total Funding as of January 1, 2023	Committed Funding Approved Projects 2023	Unpaid Balance of Total Funding as of December 31, 2023
Par.61 (Consent Decree): Environmental Research Mitigation Projects	\$ 3,116,060	\$ 841,269	\$ 2,274,791

  

Beneficiary	2022		
	Unpaid Balance of Total Funding as of January 1, 2022	Committed Funding Approved Projects 2022	Unpaid Balance of Total Funding as of December 31, 2022
Par.61 (Consent Decree): Environmental Research Mitigation Projects	\$ 3,915,836	\$ 799,776	\$ 3,116,060

### 7. Related-Party Transactions

The Trustee was compensated \$83,300 and \$68,775, for the years ended December 31, 2023 and 2022 for services rendered to the Trust, respectively.

### 8. Guarantees and Indemnifications

In the normal course of its operations, the Trust enters into contracts that contain a variety of indemnifications and warranties. The Trust's maximum exposure under this arrangement is unknown as this would involve future claims that may be made against the Trust, which have not yet occurred. However, the Trust has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. No such claims exist or are imminent as of December 31, 2023 and 2022.

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2023 and 2022

### 9. Trust Income and Expenses

Trust income and expenses for the years ended December 31, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
<b>Income</b>		
Dividend income, Sendero	\$ 624,503	\$ 255,376
Interest income, Sendero	794,403	-
Interest income, Falls City National Bank	986	280
Unrealized gain (loss) on money market accounts	(16)	(28)
Unrealized gain (loss) on U.S. treasury securities	284,599	160,920
Realized gain (loss) on money market accounts	(72)	(31)
Realized gain (loss) on U.S treasury securities	403,380	-
	<u>2,107,783</u>	<u>416,517</u>
<b>Operating Expenses</b>		
Payroll expense	136,393	112,983
Professional fees, legal	66,152	12,650
Professional fees, audit	31,980	29,500
Investment expense	61,992	43,405
Web services/hosting	842	558
Professional fees, accounting	32,020	23,057
Other expenses	14,032	13,854
	<u>343,411</u>	<u>236,007</u>
Total operating expenses	<u>343,411</u>	<u>236,007</u>
Income tax expense	<u>463,750</u>	<u>-</u>
Total net income and expenses	<u>\$ 1,300,622</u>	<u>\$ 180,510</u>

# Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2023 and 2022

## 10. Subsequent Events

The Trustee has evaluated subsequent events to determine if events or transactions occurring through February 9, 2024, the date which the financial statements were available to be issued, require potential adjustment to or disclosure in the financial statements. There were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the financial statements besides for the following:

Subsequent to December 31, 2023, additional contracts were entered into as a result of the Request for Proposals process publicly announced on August 31, 2023. Thirty-nine (39) proposals were received and through a defined evaluation process undertaken by an Independent Award Committee, 23 projects were selected for funding under paragraph 62 of the Consent Decree. Additionally, under the terms of paragraph 61 of the Consent Decree and Trust Agreement, the Trustee selected three additional projects for funding.

Below is a table of contracts awarded subsequent to December 31, 2023 as of February 9, 2024.

<b>Contracted Entity</b>	<b>Contract Amount</b>	<b>Contract Status</b>
<b>Environmental Research Projects</b>		
University of Texas Marine Science	\$ 499,651.00	Awarded
Texas A&M University - Corpus Christi	294,190.00	Awarded/Executed
Texas A&M Agrilife	477,186.00	Awarded
<b>Matagorda Bay Mitigation Trust Projects</b>		
San Antonio Bay Partnership	25,000.00	Awarded
San Antonio Bay Partnership	36,000.00	Awarded
San Antonio Bay Partnership	14,280.00	Awarded
San Antonio Bay Partnership	50,000.00	Awarded
City of Port Lavaca	400,000.00	Awarded
Matagorda Bay Foundation	24,435.00	Awarded/Executed
Matagorda Bay Foundation	489,950.00	Awarded/Executed
Matagorda Bay Foundation	55,940.00	Awarded/Executed
Calhoun County	319,000.00	Awarded/Executed
Jackson County	500,000.00	Awarded
Matagorda County	395,000.00	Awarded
City of Palacios	497,000.00	Awarded
Matagorda County 4H Adult Leaders	15,525.08	Awarded/Executed
Coastal Bend Bays and Estuaries	200,000.00	Awarded/Executed
Coastal Bend Bays and Estuaries	500,000.00	Awarded/Executed
Texas RICE	115,000.00	Awarded
Texas State University	474,900.00	Awarded
University of Texas Marine Science	433,113.00	Awarded
Texas A&M University - Corpus Christi	411,853.00	Awarded/Executed
Texas A&M University - Corpus Christi	284,505.00	Awarded/Executed
University of Texas at Austin	500,000.00	Awarded
Calhoun County	2,100,000.00	Awarded Contingently*
Calhoun County	2,100,000.00	Awarded Contingently*
<b>Total</b>	<b><u>\$ 11,212,528.08</u></b>	

\*Contracts marked have been awarded contingently based upon the recipients' obligation to raise matching funds within the next three years.