

Matagorda Bay Mitigation Trust

Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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 22, 2023

Matagorda Bay Mitigation Trust

Statements of Net Assets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 21,269,368	\$ 20,092,857
Investments in U.S. Treasury bills	12,997,372	-
Mitigation projects funding receivable	20,000,000	30,000,000
Additional mitigation payment receivable	475,000	1,260,000
Prepaid insurance	3,246	3,153
	<u>54,744,986</u>	<u>51,356,010</u>
Total assets		
Liabilities		
Accounts payable	27,423	30,417
Mitigation project payable, awarded	37,437,349	36,728,261
Mitigation project payable, unawarded	3,116,060	3,915,836
	<u>40,580,832</u>	<u>40,674,514</u>
Total liabilities		
Net assets	<u>\$ 14,164,154</u>	<u>\$ 10,681,496</u>

See notes to financial statements

Matagorda Bay Mitigation Trust

Statements of Changes in Net Assets

Years Ended December 31, 2022 and 2021

Net Assets, January 1, 2021	<u>\$ 11,057,167</u>
Increase (decrease) in net assets:	
Trust funding, additional mitigation payments	3,060,000
Trust income (Note 9)	1,634
Trust expenses (Note 9)	(207,075)
Committed funding, approved contracts	<u>(3,230,230)</u>
Net decrease in net assets	<u>(375,671)</u>
Net Assets, December 31, 2021	<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>
Net Assets, December 31, 2022	<u><u>\$ 14,164,154</u></u>

See notes to financial statements

Matagorda Bay Mitigation Trust

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Net change in net assets	\$ 3,482,658	\$ (375,671)
Net change in operating assets and liabilities:		
Increase in prepaid assets	(93)	(293)
Decrease in mitigation projects funding receivable	10,000,000	10,000,000
Decrease (increase) in trust funding receivable	785,000	(1,260,000)
(Decrease) increase in accounts payable	(2,994)	3,425
Increase in mitigation projects payable, awarded	709,088	3,287,263
Decrease in mitigation projects payable, unawarded	<u>(799,776)</u>	<u>(1,084,164)</u>
Net cash provided by operating activities	<u>14,173,883</u>	<u>10,570,560</u>
Investing Activities		
Purchase of investments in U.S. Treasury bills	<u>(12,997,372)</u>	<u>-</u>
Net cash used in investing activities	<u>(12,997,372)</u>	<u>-</u>
Increase in cash	1,176,511	10,570,560
Cash and Cash Equivalents, Beginning	<u>20,092,857</u>	<u>9,522,297</u>
Cash and Cash Equivalents, Ending	<u>\$ 21,269,368</u>	<u>\$ 20,092,857</u>

See notes to financial statements

Matagorda Bay Mitigation Trust

Notes to Financial Statements
December 31, 2022 and 2021

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 environment 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, 2022 and 2021

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 \$25,000 and \$20,000 per violation for the years ended December 31, 2022 and 2021, respectively, and are presented as additional mitigation payments on the statement of changes in net assets. For the years ended December 31, 2022 and 2021, respectively, there was \$5,810,000 and \$3,060,000 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 markets and mutual funds. At times, a portion of the cash and cash equivalents may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. At December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash	\$ 65,227	\$ 57,106
Money market	1,985,215	11,051,050
Money market fund	<u>19,218,926</u>	<u>8,984,701</u>
Total cash and cash equivalents	<u>\$ 21,269,368</u>	<u>\$ 20,092,857</u>

Investments in U.S. Treasury Bills

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

Matagorda Bay Mitigation Trust

Notes to Financial Statements

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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 \$14,164,154 and \$10,681,496 as of December 31, 2022 and 2021, 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, 2022 and 2021, no taxes were due and payable.

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.

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2022 and 2021

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.

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021 as well as the valuation techniques used by the Trust to determine those fair values.

	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 in U.S. Treasury bills	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, 2022 and 2021

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market	\$ 11,051,050	\$ -	\$ -	\$ 11,051,050
Money market fund	8,984,701	-	-	8,984,701
Total	<u>\$ 20,035,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,035,751</u>

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 bills are all considered investments as the original maturity is greater than three months. There were approximately \$160,000 of unrealized gains recorded on investments for the year ended December 31, 2022. As of December 31, 2022, the Trust held approximately \$12,997,000 in six month U.S. Treasury bills. The U.S. Treasury bills held as of December 31, 2022 matured in January 2023.

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, 2022 and 2021.

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, 2021	2021 Funding Allocation	Mitigation Projects Funding Receivable as of December 31, 2021	2021 Funding Allocations	Mitigation Projects Funding Receivable as of December 31, 2022
Par. 56-60 (Consent Decree):						
Federation of Southern Cooperatives	\$ 20,000,000	\$ 3,000,000	\$ 4,000,000	\$ 13,000,000	\$ 4,000,000	\$ 9,000,000
Green Lake Park	10,000,000	2,000,000	2,000,000	6,000,000	2,000,000	4,000,000
Port Lavaca YMC	750,000	100,000	125,000	525,000	150,000	375,000
University of Texas Marine Science Institute	1,000,000	200,000	200,000	600,000	200,000	400,000
Calhoun County	2,000,000	-	1,000,000	1,000,000	1,000,000	-
	33,750,000	5,300,000	7,325,000	21,125,000	7,350,000	13,775,000
Par. 61 (Consent Decree):						
Environmental Research Mitigation Projects	5,000,000	1,000,000	1,000,000	3,000,000	1,000,000	2,000,000
Par. 62 (Consent Decree):						
Matagorda Bay Mitigation Trust	11,250,000	3,700,000	1,675,000	5,875,000	1,650,000	4,225,000
Totals	<u>\$ 50,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 30,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 20,000,000</u>

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, there was \$2,507,852 and \$3,230,230 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, 2022 and 2021, there was \$5,810,000 and \$3,060,000 in awarded funding, respectively. At December 31, 2022 and 2021, \$475,000 and \$1,260,000, respectively, were recorded as additional mitigation payments receivable on the statements of net assets.

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 2022 compared to three projects in 2021, 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, 2022 and 2021, the Trust had outstanding contracts as follows:

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 YMC	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	\$ 36,728,261	\$ 3,307,628	\$ 2,598,540	\$ 37,437,349

Matagorda Bay Mitigation Trust

Notes to Financial Statements
December 31, 2022 and 2021

Beneficiary	2021			Unpaid Balance of Total Funding as of December 31, 2021
	Unpaid Balance of Total Funding as of January 1, 2021	Committed Funding Approved Projects 2021	Approved and Paid Project Costs 2021	
Par. 56-60 (Consent Decree):				
Federation of Southern Cooperatives	\$ 19,813,785	\$ -	\$ -	\$ 19,813,785
Green Lake Park	10,000,000	-	70,211	9,929,789
Port Lavaca YMC	667,948	-	129,021	538,927
University of Texas Marine Science Institute	959,265	-	208,709	750,556
Calhoun County	2,000,000	-	-	2,000,000
Par. 61 (Consent Decree):				
Environmental Research Mitigation Projects	-	1,084,164	286,123	798,041
Par. 62 (Consent Decree):				
Matagorda Bay Mitigation Trust	-	3,230,230	333,067	2,897,163
Totals	\$ 33,440,998	\$ 4,314,394	\$ 1,027,131	\$ 36,728,261

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, 2022 and 2021, there was \$799,776 and \$1,084,164, respectively, in committed funding approved.

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

Matagorda Bay Mitigation Trust

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Beneficiary	2021		
	Unpaid Balance of Total Funding as of January 1, 2021	Committed Funding Approved Projects 2021	Unpaid Balance of Total Funding as of December 31, 2021
Par.61 (Consent Decree): Environmental Research Mitigation Projects	\$ 5,000,000	\$ 1,084,164	\$ 3,915,836

7. Related-Party Transactions

The Trustee was compensated \$68,775 and \$66,075, for the years ended December 31, 2022 and 2021 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, 2022 and 2021.

9. Trust Income and Expenses

Trust income and expenses for the years ended December 31, 2022 and 2021 are comprised of the following:

	2022	2021
Income:		
Dividend income, Sendero	\$ 255,376	\$ 1,381
Interest income, Falls City National Bank	280	274
Unrealized gain (loss) on money market accounts	(28)	-
Unrealized gain (loss) on U.S. Treasury bills	160,920	-
Realized gain (loss) on money markets accounts	(31)	(21)
Total income	416,517	1,634
Operating expenses:		
Payroll expense	112,983	108,789
Professional fees, legal	12,650	18,177
Professional fees, audit	29,500	19,250
Investment expense	43,405	23,314
Web services/hosting	558	553
Professional fees, accounting	23,057	22,912
Other Expenses	13,854	14,080
Total expenses	236,007	207,075
Total net income and expenses	\$ 180,510	\$ (205,441)

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2022 and 2021

10. Subsequent Events

The Trustee has evaluated subsequent events to determine if events or transactions occurring through February 22, 2023, 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, 2022, additional contracts were entered into as a result of the Request for Proposals process publicly announced on September 1, 2022. Twenty-six (26) proposals were received and through a defined evaluation process undertaken by an Independent Award Committee, 13 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 two additional projects for funding.

Below is a table of contracts awarded subsequent to December 31, 2022 as of February 22, 2023.

Contracted Entity	Contract Amount	Contract Status
Environmental Research Projects		
University of Texas Marine Science Inst.	\$ 399,998	Awarded/Executed
Tarleton State University	442,462	Awarded/Executed
Matagorda Bay Mitigation Trust Projects:		
Calhoun County 4H Sportfishing Club	25,811	Awarded/Executed
Calhoun County	494,000	Awarded/Executed
Calhoun County YMCA	186,213	Awarded/Executed
University of Texas Marine Science Institute	499,500	Awarded/Executed
University of Texas Marine Science Institute	396,691	Awarded/Executed
Matagorda Bay Foundation	271,280	Awarded/Executed
Texas State University	497,818	Awarded/Executed
Coastal Bend Bay and Estuaries	500,000	Awarded/Executed
University of Houston	500,000	Awarded
Texas A&M University	416,817	Awarded/Executed
Texas A&M University	499,985	Awarded
City of Port Lavaca	200,000	Awarded
Texas A&M University	454,162	Awarded
Total	<u>\$ 5,784,737</u>	