

# **Matagorda Bay Mitigation Trust**

## Financial Statements

For the Year Ended December 31, 2021 and for the Period  
From May 8, 2020 (Inception) Through December 31, 2020

# Matagorda Bay Mitigation Trust

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December 31, 2021 and 2020

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## **Independent Auditors' Report**

To the Trustee of  
Matagorda Bay Mitigation Trust

### **Report on the Audit of the Financial Statements**

#### ***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, 2021 and 2020, and the related statements of changes in net assets and cash flows for the year ended December 31, 2021 and for the period May 8, 2020 (Inception) through December 31, 2020 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, 2021 and 2020, and the changes in its net assets and its cash flows for the year ended December 31, 2021 and for the period May 8, 2020 (Inception) through December 31, 2020 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 the 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  
March 2, 2022

## Matagorda Bay Mitigation Trust

### Statements of Net Assets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 20,092,857	\$ 9,522,297
Mitigation projects funding receivable	30,000,000	40,000,000
Additional mitigation payment receivable	1,260,000	-
Prepaid insurance	3,153	2,860
	<u>51,356,010</u>	<u>49,525,157</u>
Total assets		
<b>Liabilities</b>		
Accounts payable	30,417	26,992
Mitigation projects payable, awarded	36,728,261	33,440,998
Mitigation projects payable, unawarded	3,915,836	5,000,000
	<u>40,674,514</u>	<u>38,467,990</u>
Total liabilities		
Net assets	<u>\$ 10,681,496</u>	<u>\$ 11,057,167</u>

See notes to financial statements

## Matagorda Bay Mitigation Trust

### Statements of Changes in Net Assets

Year Ended December 31, 2021 and Period May 8, 2020 (Inception) Through December 31, 2020

<b>Net Assets, May 8, 2020 (Inception)</b>	\$ -
Increase (decrease) in net assets:	
Trust funding	50,000,000
Trust funding, additional mitigation payments	15,000
Mitigation project funds due beneficiaries	(38,440,998)
Mitigation project funds paid to beneficiaries	(309,003)
Trust income (Note 8)	3,929
Trust expenses (Note 8)	(211,761)
	<u>11,057,167</u>
Net increase in net assets	<u>11,057,167</u>
<b>Net Assets, December 31, 2020</b>	<u>11,057,167</u>
Increase (decrease) in net assets:	
Trust funding, additional mitigation payments	3,060,000
Trust income (Note 8)	1,634
Trust expenses (Note 8)	(207,075)
Committed funding, approved contracts	(3,230,230)
	<u>(375,671)</u>
Net decrease in net assets	<u>(375,671)</u>
<b>Net Assets, December 31, 2021</b>	<u><u>\$ 10,681,496</u></u>

See notes to financial statements

## Matagorda Bay Mitigation Trust

### Statements of Cash Flows

Year Ended December 31, 2021 and Period May 8, 2020 (Inception) Through December 31, 2020

	<b>Year Ended December 31, 2021</b>	<b>Period May 8, 2020 (Inception) Through December 31, 2020</b>
<b>Operating Activities</b>		
Net change in net assets	\$ (375,671)	\$ 11,057,167
Trust revenue over expenses:		
Net change in operating assets and liabilities:		
Increase in prepaid assets	(293)	(2,860)
Decrease (increase) in mitigation projects funding receivable	10,000,000	(40,000,000)
Increase in trust funding receivable	(1,260,000)	-
Increase in accounts payable	3,425	26,992
Increase in mitigation projects payable, awarded	3,287,263	33,440,998
(Decrease) increase in mitigation projects payable, unawarded	<u>(1,084,164)</u>	<u>5,000,000</u>
Net cash provided by operating activities	<u>10,570,560</u>	<u>9,522,297</u>
Increase in cash	10,570,560	9,522,297
<b>Cash and Cash Equivalents, Beginning</b>	<u>9,522,297</u>	<u>-</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 20,092,857</u></u>	<u><u>\$ 9,522,297</u></u>

See notes to financial statements

# Matagorda Bay Mitigation Trust

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Notes to Financial Statements  
December 31, 2021 and 2020

## 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), 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, 2021 and 2020

## 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 statement 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 Plastics subsequent to the formation of the Trust. Violation fines per the Consent Decree are set at a fixed rate of \$20,000 and \$15,000 per violation for the year ended December 31, 2021 and for the period of May 8, 2020 (Inception) through December 31, 2020, respectively, and are presented as Additional Mitigation Payments on the Statement of Changes in Net Assets. For the year ended December 31, 2021 and the period of May 8, 2020 (Inception) through December 31, 2020 there was \$3,060,000 and \$15,000 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 (US 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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash	\$ 57,106	\$ 15,857
Money market	11,051,050	222,738
Money market fund	8,984,701	9,283,702
Total cash and cash equivalents	<u>\$ 20,092,857</u>	<u>\$ 9,522,297</u>

### 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.

# Matagorda Bay Mitigation Trust

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Notes to Financial Statements  
December 31, 2021 and 2020

## 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 \$10,681,496 and \$11,057,167 as of December 31, 2021 and 2020, 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, 26 U.S.C. § 468B and the Regulations promulgated 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 Internal Revenue Code, 26 U.S.C. § 461(h)(1), and 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 IRS Code, 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. For the year ended December 31, 2021 and for the period from May 8, 2020 (Inception) through December 31, 2020, no taxes were due and payable.

## Use of Estimates in Financial Statements

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2021 and 2020

## Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported net assets or statement of changes in net assets. During 2021, the Trust reclassified and separately presented awarded and unawarded mitigation projects payable as of December 31, 2020 on the Statement of Net Assets to conform with the current year presentation.

## 3. Fair Value Measurement

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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020 as well as the valuation techniques used by the Trust to determine those fair values.

	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>

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2021 and 2020

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Money market	\$ 222,738	\$ -	\$ -	\$ 222,738
Money market fund	9,283,702	-	-	9,283,702
<b>Total</b>	<b>\$ 9,506,440</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,506,440</b>

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

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

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 year ended December 31, 2021 and the period of May 8, 2020 (Inception) through December 31, 2020.

#### 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.

	Funding Over Life of Consent Decree	2020 Funding Allocation	2021 Funding Allocation	Mitigation Projects Funding Receivable as of December 31, 2021
Beneficiary				
Par. 56-60 (Consent Decree):				
Federation of Southern Cooperatives	\$ 20,000,000	\$ 3,000,000	\$ 4,000,000	\$ 13,000,000
Green Lake Park	10,000,000	2,000,000	2,000,000	6,000,000
Port Lavaca YMC	750,000	100,000	125,000	525,000
University of Texas Marine Science Institute	1,000,000	200,000	200,000	600,000
Calhoun County	2,000,000	-	1,000,000	1,000,000
	33,750,000	5,300,000	7,325,000	21,125,000
Par. 61 (Consent Decree):				
Environmental Research Mitigation Projects	5,000,000	1,000,000	1,000,000	3,000,000
Par. 62 (Consent Decree):				
Matagorda Bay Mitigation Trust	11,250,000	3,700,000	1,675,000	5,875,000
<b>Total</b>	<b>\$ 50,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ 30,000,000</b>

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2021 and 2020

The Matagorda Bay Mitigation Trust is allocated a total of \$11,250,000 from the Consent Decree paragraph 62 to cover expenses of the Trust and to award funds for the benefit of the waterbodies and public. Funds will be awarded based on an application process conducted annually. Funds Awarded will be recorded as Mitigation Project Payments - Awarded and reduced from Net Assets. For the year ended December 31, 2021 and the period of May 8, 2020 (Inception) through December 31, 2020 there was \$3,230,230 and \$0 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 under paragraph 62. For the year ended December 31, 2021 and the period of May 8, 2020 (Inception) through December 31, 2020 there was \$3,060,000 and \$15,000 in awarded funding, respectively. At December 31, 2021 and 2020, \$1,260,000 and \$0, 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 five projects in 2021 compared to three projects in 2020, 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, 2021 and 2020 the Trust had outstanding contracts as follows:

	Year Ended December 31, 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	
Beneficiary:				
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
	33,440,998	-	407,941	33,033,057
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
Total	\$ 33,440,998	\$ 4,314,394	\$ 1,027,131	\$ 36,728,261

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2021 and 2020

	<b>Period May 8, 2020 (Inception) Through December 31, 2020</b>			
	<b>Unpaid Balance of Total Funding as of May 8, 2020 (Inception)</b>	<b>Committed Funding Approved Projects 2020</b>	<b>Approved and Paid Project Costs 2020</b>	<b>Unpaid Balance of Total Funding as of December 31, 2020</b>
Beneficiary:				
Par. 56-60 (Consent Decree):				
Federation of Southern Cooperatives	\$ 20,000,000	\$ -	\$ 186,215	\$ 19,813,785
Green Lake Park	10,000,000	-	-	10,000,000
Port Lavaca YMC	750,000	-	82,052	667,948
University of Texas Marine Science Institute	1,000,000	-	40,735	959,265
Calhoun County	2,000,000	-	-	2,000,000
	<u>33,750,000</u>	<u>-</u>	<u>309,002</u>	<u>33,440,998</u>
Par.61 (Consent Decree):				
Environmental Research Mitigation Projects	-	-	-	-
Total	<u>\$ 33,750,000</u>	<u>\$ -</u>	<u>\$ 309,002</u>	<u>\$ 33,440,998</u>

### 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 year ended December 31, 2021 and the period of May 8, 2020 (Inception) through December 31, 2020 there was \$1,084,164 and \$0 in committed funding approved, respectively.

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

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2021 and 2020

	Period May 8, 2020 (Inception) Through December 31, 2020		
	Unpaid Balance of Total Funding as of May 8, 2020 (Inception)	Committed Funding Approved Projects 2020	Unpaid Balance of Total Funding as of December 31, 2020
Beneficiary: Par.61 (Consent Decree): Environmental Research Mitigation Projects	\$ 5,000,000	\$ -	\$ 5,000,000

### 7. Related-Party Transactions

The Trustee was compensated \$66,075 and \$58,925, for the year ended December 31, 2021 and the period of May 8, 2020 (Inception) through December 31, 2020 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, 2021 and 2020.

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2021 and 2020

### 9. Trust Income and Expenses

Trust income and expenses for the year ended December 31, 2021 and the period May 8, 2020 (Inception) through December 31, 2020 are comprised of the following:

	Year Ended December 31, 2021	Period May 8, 2020 (Inception) Through December 31, 2020
Income:		
Dividend income, Sendero	\$ 1,381	\$ 3,854
Interest income, MMDA	-	81
Interest income, Sendero	-	14
Interest income, Falls City National Bank	274	-
Realized gain (loss)	(21)	(20)
Total income	<u>1,634</u>	<u>3,929</u>
Operating expenses:		
Payroll expense	108,789	102,386
Professional fees, legal	18,177	58,043
Professional fees, audit	19,250	18,000
Investment expense	23,314	8,988
Web services/hosting	553	8,857
Professional fees, accounting	22,912	8,850
Other expenses	14,080	6,637
Total expenses	<u>207,075</u>	<u>211,761</u>
Total net income and expenses	<u>\$ (205,441)</u>	<u>\$ (207,832)</u>

### 10. Subsequent Events

The Trustee has evaluated subsequent events to determine if events or transactions occurring through March 2, 2022, 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, 2021, additional contracts were entered into as a result of the Request for Proposals process publicly announced on October 18, 2021. Thirty-seven (37) proposals were received and through a defined evaluation process undertaken by an independent Award Committee, ten 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.

## Matagorda Bay Mitigation Trust

Notes to Financial Statements  
December 31, 2021 and 2020

Below is a table of contracts awarded subsequent to December 31, 2021 as of March 2, 2022.

<b>Contracted Entity</b>	<b>Contract Amount</b>	<b>Contract Status</b>
Environmental Research Projects:		
Texas A&M Corpus Christi (Montagna)	\$ 400,000	Awarded/Executed
Texas A&M Corpus Christi (Stunz)	399,776	Awarded/Executed
Matagorda Bay Mitigation Trust Projects:		
Texas A&M Corpus Christi (Pollack)	399,816	Awarded/Executed
Texas A&M Corpus Christi (Banks)	399,932	Awarded/Executed
Calhoun County (ISD)	223,650	Awarded/Executed
Matagorda Bay Foundation	265,000	Awarded/Executed
Matagorda Bay Foundation	62,000	Awarded/Executed
Calhoun Country	141,000	Awarded/Executed
University of Texas Marine (Nielsen)	399,965	Awarded/Executed
Texas Floating Classroom	91,200	Awarded
Texas A&M Agrilife Research	394,313	Awarded
Guadalupe-Blanco River Trust	115,000	Awarded
Total	<u>\$ 3,291,652</u>	