NEW ISSUE - BOOK-ENTRY ONLY **RATINGS: Moody's "Aa1"**
S&P "AAA"

OFFICIAL STATEMENT

In the opinion of Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX EXEMPTION" herein and (ii) interest on the Bonds is an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX EXEMPTION" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on individuals and corporations.

$234,630,000
PORT OF HOUSTON AUTHORITY
OF
HARRIS COUNTY, TEXAS

(A political subdivision of the State of Texas having boundaries generally coterminous with Harris County)

UNLIMITED TAX REFUNDING BONDS,
SERIES 2008A (AMT)

Interest Accrual Date: Date of Delivery **CUSIP Prefix: 734260** **Due: October 1 (see inside cover page)**

The "$234,630,000 Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2008A (AMT)" (the "Bonds") are hereby offered for sale by the Port of Houston Authority of Harris County, Texas (the "Authority"). The Bonds are payable from the receipts of an annual ad valorem tax, without legal limit as to rate or amount, levied on taxable property within the Authority. The Bonds are not issued by, nor are they in any way obligations of, Harris County, Texas. See "DESCRIPTION OF THE BONDS—Source of Payment of the Bonds" and "AD VALOREM TAXES" herein.

The Bonds will be issued only in fully-registered form in the denomination of $5,000, or integral multiples thereof, initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Bonds will be payable to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS—Book-Entry-Only System" herein.

Interest on the Bonds accrues from the later of the date of delivery or the most recent interest payment date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, and is payable on April 1, 2009, and on each October 1 and April 1 thereafter until maturity or earlier redemption, by check mailed to the registered owner of record as of the 15th day of the month next preceding each interest payment date. The Bank of New York Mellon Trust Company, National Association, is the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds. Principal of the Bonds is payable upon presentation of the Bonds to the Paying Agent/Registrar at maturity. See "DESCRIPTION OF BONDS—"General" and "—Paying Agent/Registrar."

Proceeds of the Bonds will be used to refund all of the outstanding commercial paper notes of the Authority (the "Refunded Notes") and to pay costs of issuance of the Bonds and the costs of refunding the Refunded Notes. See "PLAN OF FINANCING."

The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS—Redemption."

SEE INSIDE COVER PAGE FOR MATURITY AND PRICING SCHEDULE

The Bonds are offered for delivery, when, as, and if issued by the Authority, subject to the approving opinion of the Attorney General of Texas, and the opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel for the Authority, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. Certain legal matters will be passed upon for the Authority by its Special Disclosure Counsel, Vinson & Elkins L.L.P., Houston, Texas, and for the Underwriters by Greenberg Traurig, LLP, Houston, Texas, counsel to the Underwriters. The Bonds are expected to be available for delivery through the facilities of the DTC in New York, New York on or about July 24, 2008.

MERRILL LYNCH & CO.

CITI **DEPFA FIRST ALBANY SECURITIES LLC**

MORGAN KEEGAN & COMPANY **RAMIREZ & CO., INC.** **RBC CAPITAL MARKETS**

June 27, 2008

MATURITY AND PRICING SCHEDULE

$234,630,000
PORT OF HOUSTON AUTHORITY
OF
HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS,
SERIES 2008A (AMT)[a]
CUSIP PREFIX: 734260 [b]

Serial Bonds

Maturity Date (October 1)	Principal Amount	Interest Rate	Initial Offering Price/Yield	CUSIP Suffix
2024	$2,645,000	6.250%	5.290%[c]	Q70
2025	2,820,000	6.250%	5.340%[c]	Q88
2026	3,010,000	6.250%	5.390%[c]	Q96

Term Bonds

$33,245,000 6.250% Term Bond, Due October 1, 2029, Yield 5.540%[c], CUSIP Suffix: R20

$67,585,000 6.125% Term Bond, Due October 1, 2033, Yield 5.670%[c], CUSIP Suffix: R38

$125,325,000 5.625% Term Bond, Due October 1, 2038, Yield 5.710%, CUSIP Suffix: R46

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[a] The Bonds are subject to redemption at the option of the Authority on October 1, 2018 or on any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption, upon 30 days written notice to the registered owners thereof. See "DESCRIPTION OF THE BONDS – Redemption."

[b] CUSIP numbers have been assigned to the Bonds by Standard and Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the owners of the Bonds. Neither the Authority, the Financial Advisor, nor the Initial Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

[c] Reflects yield to earliest optional call date. See "DESCRIPTION OF THE BONDS – Redemption."

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation with respect to the Bonds to be issued, other than those contained in this Official Statement, and, if given or made, such other information or representations not so authorized must not be relied upon as having been given or authorized by the Authority or the Initial Purchasers.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All financial and other information presented herein, except for the information expressly attributed to other sources, has been provided by the Authority from its records and is intended to show recent historical information. Such information is not guaranteed as to accuracy or completeness. No representation is made that past performance, as might be shown by such financial and other information, will necessarily continue or be expected in the future. All descriptions of laws and documents contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that the information contained herein has remained unchanged since the respective dates as of which such information is given herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT SUMMARY

This Summary, being part of the Official Statement, is subject in all respects to the more complete information contained therein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Summary from the Official Statement or otherwise to use same without the entire Official Statement.

Issuer	Port of Houston Authority of Harris County, Texas (the "Authority"), a political subdivision of the State of Texas having boundaries generally coterminous with Harris County.
Issue	$234,630,000 Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2008A (AMT) (the "Bonds") are issued pursuant to the provisions of an order (the "Order"), adopted by the Commissioners Court of Harris County (the "Commissioners Court"), on behalf of the Authority.
Use of Proceeds	Proceeds of the Bonds will be used to refund all of the Authority's outstanding commercial paper notes (the "Refunded Notes") and to pay costs of issuing the Bonds and the costs of refunding the Refunded Notes. See "PLAN OF FINANCING."
Payment Record......................	The Authority has never defaulted in paying the principal of or interest on any of its bonds.
Ratings....................................	Moody's and S&P have assigned their municipal bond ratings of "Aa1" and "AAA", respectively, to the Bonds as the Authority's underlying rating. See "RATINGS."
Amounts, Maturities, and Redemption	The Bonds mature in the amounts shown on the inside cover page hereof on October 1 in each of the years 2024 through and including 2026 and in the years 2029, 2033 and 2038. The Bonds bear interest from the later of the Date of Delivery or the most recent interest payment date to which interest has been paid or duly provided for. The Bonds are subject to redemption prior to maturity at the option of the Authority on October 1, 2018 or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption, upon 30 days written notice to the registered owners thereof. See "DESCRIPTION OF THE BONDS—Redemption" herein.
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co., as nominee for DTC, pursuant to a book-entry-only system. The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, National Association. See "DESCRIPTION OF THE BONDS—Book-Entry-Only System" herein.
Interest Payment Dates	Interest on the Bonds accrues from the date of delivery and is payable on April 1, 2009, and each October 1 and April 1 thereafter until maturity or earlier redemption, by check mailed to the registered owner of record as of the 15th day of the month next preceding each interest payment date. See "DESCRIPTION OF THE BONDS—General."
Source of Payment	The Bonds are payable from the receipts of an annual ad valorem tax, without legal limit as to rate or amount, levied on taxable property within the Authority. See "DESCRIPTION OF THE BONDS—Source of Payment of the Bonds" and "AD VALOREM TAXES."
Legal Investments and Eligibility to Secure Public Funds in Texas	The Bonds are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The "Public Funds Collateral Act," Chapter 2257, Texas Government Code, as amended, provides that deposits of public funds, as defined in such chapter, must be secured by eligible security. "Eligible Security" is defined to include a general or special obligation, payable from taxes, revenues or a combination of taxes and revenues, issued by political subdivisions such as the Authority that have a current investment rating from a nationally recognized rating agency of not less than A, or its equivalent. See "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS."

SELECTED AUTHORITY AD VALOREM TAX DATA

(dollar amounts in thousands)

	Tax (Calendar) Year				
	2007[(a)]	2006	2005	2004	2003
Total Assessed Value, Net of Exemptions	$248,557,487	$217,539,081	$203,944,537	$193,280,089	$184,267,513
Ad Valorem Tax Rate (Per $100 of Assessed Value)	0.01437	0.01302	0.01474	0.01673	0.02000
Current Collections of Ad Valorem Taxes Levied[(b)]	$33,410	$26,131	$26,805	$30,932	$34,417
Current Collections as a Percentage of Ad Valorem Taxes Levied	93.6%	91.1%	90.3%	95.5%	93.2%
Total Ad Valorem Collections[(c)]	$33,880	$27,086	$27,924	$32,110	$35,502
Total Collections as a Percentage of Ad Valorem Taxes Levied	94.9%	94.5%	94.1%	99.1%	96.2%

	2007	2006	2005	2004	2003
Ad Valorem Tax Bonds Outstanding	343,965[(d)]	$378,842[(d)]	$335,732[(d)]	$294,689	$306,237
Ad Valorem Tax Bonds Outstanding as a Percentage of Assessed Value	0.14%	0.17%	0.16%	0.15%	0.17%

(a) Interim estimate based upon Appraisal District supplemental reports dated as of April 30, 2008. Does not include assessed values for properties whose values are currently being protested. The County expects the total value for Fiscal Year 2008 to be higher than the total taxable value for Fiscal Year 2007.

(b) Taxes levied in any year which are collected beginning October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, the date taxes become legally delinquent. See "AD VALOREM TAXES" herein.

(c) Such amounts include collections of delinquent taxes from prior years' levies of taxes collected during the period beginning on July 1 of the year shown and ending on June 30 of the following year.

(d) Includes outstanding general obligation bonds and commercial paper.

Source: Harris County Tax Assessor-Collector

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OFFICIAL STATEMENT

Relating to

$234,630,000
PORT OF HOUSTON AUTHORITY
OF
HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS,
SERIES 2008A (AMT)

INTRODUCTORY STATEMENT

This Official Statement is furnished in connection with the offering by the Port of Houston Authority of Harris County, Texas (the "Authority"), a political subdivision of the State of Texas (the "State"), having boundaries generally coterminous with Harris County, Texas (the "County"), of the above-captioned bonds (the "Bonds"). The Bonds are issued pursuant to the provisions of an order (the "Order") adopted by the Commissioners Court of Harris County, Texas (the "Commissioners Court") on behalf of the Authority.

The Authority is a navigation district and a political subdivision of the State. The Authority owns and operates public wharves, docking facilities, freight handling facilities and related equipment, land, warehouses, railroad rights-of-way and trackage adjoining the Houston Ship Channel (the "Houston Ship Channel" or the "Channel"). The Channel is the center of the Port of Houston ("Port") complex and extends 50 miles inland and links the City of Houston with the Gulf of Mexico. The Authority also owns and operates a terminal facility, channel and turning basin at the Bayport Industrial Complex near Houston. Certain officials of the Authority are also County officials. See "THE AUTHORITY" herein. Although the Bonds are issued pursuant to the provisions of the Order adopted by the Commissioners Court, the Bonds are not obligations of the County. The Bonds are also not obligations of the City of Houston, Texas. See "DESCRIPTION OF THE BONDS—Source of Payment of the Bonds."

The Authority's financial statements, included in this Official Statement as APPENDIX A, present information on the general financial condition of the Authority at the dates and for the periods shown. The Bonds, however, are payable solely from the receipts of separate annual unlimited ad valorem taxes, and the inclusion of such statements and other financial information is not intended to imply that any other tax receipts, revenues, or moneys of the Authority are to be used to pay the principal of or interest on the Bonds. The Authority also adopted an order (the "Authority Order" and together with the Order, the "Orders") authorizing the sale of the Bonds, containing Continuing Disclosure Agreements and authorizing and approving certain other matters in connection with the issuance and delivery of the Bonds.

PLAN OF FINANCING

The proceeds of the Bonds will be used to redeem all of the Authority's outstanding commercial paper notes (the "Refunded Notes") and to pay the costs of issuing the bonds and the costs of refunding the Refunded Notes. See "AUTHORITY AD VALOREM TAX DEBT – Commercial Paper Program." Such proceeds, along with other legally available funds, will be deposited with Deutsche Bank Trust Company Americas, the issuing and paying agent for the Refunded Notes, in a sufficient amount to pay the principal of and interest on the Refunded Notes at maturity.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Source of Funds:	
Principal Amount of the Bonds	$ 234,630,000.00
Net Premium	3,224,241.35
Total Sources of Funds	$ 237,854,241.35
Uses:	
Deposit with Issuing and Paying Agent for the Principal of the Refunded Notes	$ 236,000,000.00
Costs of Issuance[a]	1,854,241.35
Total Uses of Funds	$ 237,854,241.35

[a] Includes Cost of Issuance and Underwriters' Discount.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated as set forth in the Orders, but will bear interest from the later of the date of delivery or the most recent interest payment date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, at the per annum rates shown on the inside cover page hereof. Interest on the Bonds will be payable April 1, 2009, and each October 1 and April 1 thereafter until maturity or earlier redemption, and will be payable by check sent by United States mail, first class, postage prepaid, to the registered owners as of the 15th day of the month next preceding each interest payment date. The Bonds are issued only as fully-registered bonds in the denomination of $5,000 principal amount or any integral multiple thereof.

Authority for the Bonds

The Bonds are issued pursuant to the provisions of the constitution and laws of the State of Texas, including particularly (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 117, Acts of the 55th Legislature, Regular Session, 1957, as amended, (iii) Chapter 1201, Texas Government Code, as amended, (iv) Chapter 1207, Texas Governmental Code, as amended, (v) Chapter 1371, Texas Government Code, as amended, and (vi) the Orders.

Source of Payment of the Bonds

The Bonds are payable from the receipts of a separate annual ad valorem tax, unlimited as to rate or amount, levied on taxable property within the County. See "AD VALOREM TAXES." Pursuant to the provisions of the Order adopted at a regular meeting of the Commissioners Court, the Commissioners Court, on behalf of the Authority, has levied and agreed to assess and collect these annual ad valorem taxes. In each year the Commissioners Court, on behalf of the Authority, will determine the specific tax to be collected to pay interest as it accrues and principal as it matures on the Bonds of each series and will assess such taxes for that year. The receipts of such taxes are to be credited to separate funds to be used solely for the payment of the principal of and interest on the Bonds. **None of the revenues (other than the ad valorem taxes described above) of the Authority are pledged as security for the Bonds.**

Redemption

Optional Redemption. The Bonds are subject to redemption at the option of the Authority, as a whole or from time to time in part in integral multiples of $5,000 principal amount on any date on or after October 1, 2018, upon payment of a redemption price equal to 100% of the principal amount thereof, plus accrued interest on the Bonds called for redemption from the most recent interest payment date to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing in the years 2029, 2033 and 2038 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity, in the following amounts (subject to reduction as hereinafter provided) on October 1 of each of the following years, at a price equal to the principal amount to be redeemed, plus accrued and unpaid interest thereon to the redemption date, without premium.

Term Bond Maturing October 1, 2029

Mandatory Redemption Date (October 1)	Principal Amount
2027	$ 9,675,000
2028	11,430,000
2029	12,140,000
	$33,245,000

Term Bond Maturing October 1, 2033

Mandatory Redemption Date (October 1)	Principal Amount
2030	$12,900,000
2031	13,690,000
2032	19,890,000
2033	21,105,000
	$67,585,000

Term Bond Maturing October 1, 2038

Mandatory Redemption Date (October 1)	Principal Amount
2034	$22,400,000
2035	23,660,000
2036	24,990,000
2037	26,395,000
2038	27,880,000
	$125,325,000

To the extent that such Term Bonds have been previously called for redemption or purchased and retired in part and otherwise than from scheduled mandatory redemption payments, future mandatory redemption payments may be reduced by the principal amount of such Term Bonds so redeemed or purchased. See "—Method of Selecting Bonds to be Redeemed."

In lieu of mandatory redemption of the Term Bonds, the Authority has reserved the right to purchase for cancellation Term Bonds of the same maturity at a price (excluding accrued interest but including any brokerage or other charges) no greater than the applicable redemption price of such Term Bonds.

Method of Selecting Bonds to be Redeemed. If less than all of the Bonds of a series are to be redeemed, the Authority may select the maturity or maturities to be redeemed. If less than all of the Bonds of any maturity of a series are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by lot or other random method in integral multiples of $5,000. In selecting for redemption portions of Bonds in denominations larger than $5,000, each such Bond will be treated as representing that number of Bonds of $5,000 denomination that is obtained by dividing the principal amount of such Bond by $5,000.

The Paying Agent/Registrar will select by lot the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory redemption provisions shall be reduced, at the option of the Authority, by the principal amount of any

Bonds having the same maturity which have been purchased or redeemed by the Authority as follows, at least 45 days prior to the mandatory redemption date:

(i) if the Authority directs the Paying Agent/Registrar to purchase Term Bonds with money in the debt service fund for such Term Bonds (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of such Term Bonds purchased will be made against the next mandatory redemption installment due, or

(ii) if the Authority purchases or redeems Term Bonds with other available moneys, then the principal amount of such Term Bonds will be credited against future mandatory redemption installments in any order, and in any annual amount, that the Authority may direct.

Notice of Redemption. Any notice of redemption identifying the series of the Bonds or portions thereof to be redeemed will be sent to the registered owners thereof by first class mail not less than 30 days prior to the date fixed for redemption, but neither the failure to give such notice nor any defect therein will affect the sufficiency of notice given to Bondholders.

Partial Redemption. Any Bond which is to be redeemed only in part will be surrendered to the Paying Agent/Registrar (with, if the Authority or the Paying Agent/Registrar so requires, due endorsement by, or written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed by, the holder thereof or such holder's authorized representative), and the Authority will execute and the Paying Agent/Registrar will authenticate and deliver to the holder of such a new Bond or Bonds of the same series and maturity and of any authorized denomination or denominations as requested by such holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Book-Entry-Only System

Appendix B describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company (" DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in Appendix B concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Orders will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority or the Initial Purchasers.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, National Association, in Houston, Texas (the "Paying Agent/Registrar"). The Paying Agent/Registrar has entered into the Paying Agent/Registrar Agreement with the Authority, which provides the terms and provisions for the Paying Agent/Registrar's obligations regarding the Bonds and the Authority's obligation to pay the Paying Agent/Registrar as consideration for the fulfillment of such obligations.

Ownership

The Authority, the Paying Agent/Registrar, and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes. Neither the Authority, the Paying Agent/Registrar, nor any agent of either of them will be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Orders and the issuance of such Bonds will be valid and effective and will discharge the liabilities of the Authority and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Transfers and Exchanges

A bond register relating to the registration, payment, and transfer or exchange of the Bonds of each series (the "Bond Register") will be kept and maintained by the Authority, at the corporate trust office of the Paying Agent/Registrar, as provided in the Orders authorizing the issuance of such series of the Bonds and in accordance with the provisions of an agreement with the Paying Agent/Registrar and such rules and regulations as the Paying Agent/Registrar and the Authority may prescribe.

Whenever the Paying Agent/Registrar is a banking or trust corporation or association not domiciled in the State, the Authority will cause the Paying Agent/Registrar to keep a copy of the Bond Register with the Authority in the Authority's offices in Houston, Texas. Any Bond may be transferred or exchanged for Bonds of other authorized denominations (within the maturity) and of like aggregate principal amount and series by the registered owner, in person or by its duly authorized agent, upon surrender of such Bonds to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the registered owner or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Bonds for transfer at the corporate trust office of the Paying Agent/Registrar, the Authority will execute and the Paying Agent/Registrar will register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denominations (within the same maturity) and of like series, aggregate principal amount, and maturity as the Bond or Bonds surrendered for transfer.

At the option of the registered owner, Bonds may be exchanged for other Bonds of authorized denominations (within the same maturity and series) and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar.

All Bonds issued in any transfer or exchange of Bonds will be delivered to the registered owners and upon the registration and delivery thereof, the same will be the valid obligations of the Authority evidencing the same obligation to pay, and entitled to the same benefits under the Orders authorizing the issuance of such Bonds, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to the Orders authorizing the issuance of such Bonds will be made without expense or service charge to the registered owner, except that the Paying Agent/Registrar will require payment by the registered owner requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Amendments

The Commissioners Court may, without the consent of or notice to any bondholder, from time to time and at any time, amend the Order in any manner not detrimental to the interest of the bondholders, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the Commissioners Court may, with the written consent of bondholders holding a majority in aggregate principal amount of the Bonds then outstanding affected thereby, if any, amend, add to or rescind any of the provisions of the Order, provided that, without the consent of all bondholders of outstanding Bonds affected thereby, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefore, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to consent to any such amendment, addition or rescission.

Defeasance

The provisions of the Orders and the obligations to the Registered Owners of any or all of the Bonds to pay the principal of and interest thereon may be defeased in any manner now or hereafter permitted by law, including by depositing with the Paying Agent/Registrar, the Comptroller of Public Accounts of the State of Texas or any other entity with which such deposits may be made (as specified by Section 1207.061, Texas Government Code, as amended) either: (a) cash in an amount equal to the principal amount of such Bonds plus interest thereon to the date of maturity or redemption, or (b) pursuant to an escrow or trust agreement (or, if payment or redemption shall occur on or before the next Interest Payment Date, by deposit to the debt service fund for the Bonds), cash and/or:

(1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;

(2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commissioners Court adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent;

(3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Commissioners Court adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and/or

(4) any other securities or obligations which, at the time of such defeasance, are authorized by state law to be used to effectuate a defeasance of the Bonds,

in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount of the Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the Authority. Upon such deposit, such Bonds will no longer be regarded to be Outstanding or unpaid.

AD VALOREM TAXES

The Commissioners Court is responsible for levying taxes on behalf of the Authority. While the Authority's rates of taxation differ from the County's, the procedures for assessing, levying and collecting tax are, except as otherwise described below, substantially the same as those followed by the County.

Property Subject to Taxation

Except for certain exemptions provided by State law, all real and certain tangible personal property and certain intangible personal property with a tax situs in the County is subject to taxation by the County. See "AUTHORITY AD VALOREM TAXES – Authority Tax Rates – Table 2 Footnote (b)." The County's assessed value, less the assessed value of the rolling stock of railroads and intangible properties of railroads and certain common carriers, is the assessed value used by the Commissioners Court to determine the tax rate for the Authority's levy. See "AUTHORITY AD VALOREM TAX DEBT – Ad Valorem Tax Debt Comparisons – Table 5 Footnote (a)."

Valuation of Property for Taxation

The Texas Property Tax Code (the "Property Tax Code") generally requires all taxable property (except property utilized for a qualified "agricultural use," as that definition has been expanded by recent legislation, and timberland) to be appraised at 100% of market value as of January 1 of each year. Residential property that has never been occupied as a residence and is being held for sale is treated as inventory for property tax purposes. The cost of the correction, mitigation, or prevention of environmental change may be considered in establishing the market value for certain properties. The appraisal of taxable property for the County (including certain railroad rolling stock and certain intangible property of railroads and certain common carriers, the taxable value of which is recommended by the state tax board and accepted or modified by the County) and all other taxing entities in the County, including the Authority, is the responsibility of the Harris County Appraisal District (the "Appraisal District"), a county-wide agency created under the Property Tax Code for that purpose.

The Appraisal District is governed by a five-member board whose members are appointed by vote of the Commissioners Court and the governing bodies of the cities, towns, school districts and, upon request, conservation and reclamation districts in the County under a voting system weighted in direct proportion to the amount of taxes imposed by the voting entities. Cumulative voting for Appraisal District Board members is permitted, and, through the exercise of that right, the Commissioners Court, the Houston City Council and the Houston Independent School District Board of Education may each select one member.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of all taxable property in the County, and reappraisal must be effected at least once every three years. The Appraisal District has established a schedule of reappraisal for different classifications of property to comply with such requirements.

Taxable values determined by the chief appraiser of the Appraisal District are submitted for review and equalization to an Appraisal Review Board, (the "Appraisal Review Board") appointed by the Appraisal District. Appraisals may be contested before the Appraisal Review Board by taxpayers or, under limited circumstances, the County, and the Appraisal Review Board's orders are appealable to a State district court.

Limitations on Tax Rate Increases

The Commissioners Court is required to set its tax rate before the later of September 30 or the 60th day after the certified appraisal roll is received by the County. If the Commissioners Court does not adopt a tax rate before the required date, the tax rate for the County is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the preceding tax year. Such rates are based on the assessed values at January 1 of each year, as shown on the tax roll approved by the Appraisal Review Board, which must be used by the County for such purpose. The Property Tax Code imposes limitations on certain tax increases. The Commissioners Court may under certain circumstances be required to publish notice and hold a public hearing on a proposed tax rate before voting on the tax rate. If the tax rate adopted exceeds by more than 8% the rate needed to pay debt service and certain contractual bonds, and to produce, when applied to the property which was on the prior year's roll, the prior year's taxes levied for purposes other than debt service and such contractual bonds, such excess portion of the levy may be repealed at an election within the County held upon petition of 10% of the qualified voters of the County.

Collections, Penalty and Interest

The County Tax Assessor-Collector is responsible for collection of taxes. Tax statements are required to be mailed by October, or as soon thereafter as practicable, and taxes become delinquent on February 1 of the following year. If tax statements are mailed after January 10 of the following calendar year, the delinquency date is postponed to the first day of the next month that will provide a period of at least 21 days between the date the statement is mailed and the date taxes become delinquent. So long as the Commissioners Court or voters of the County have not transferred responsibility for collection of the taxes to another taxing unit as described above, the County may permit payment without penalty or interest of one-half of the taxes due from each taxpayer by July 1 if one-half of the taxes due for the current year from such taxpayers are paid prior to December 1. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1, and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. If the delinquency date is postponed, then the postponed date is the date from which penalty and interest accrue on the delinquent taxes. The County may impose an additional penalty for collection costs for certain delinquent taxes if the County has contracted with a collection attorney. The County may waive penalties and interest on delinquent taxes if the error or omission of a representative of the County or of the Appraisal District, as applicable, caused the failure to pay the tax before delinquency and if the tax is paid within 21 days after the taxpayer knows or should know of the delinquency.

Tax Liens

The Property Tax Code provides that on January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the Authority, having power to tax the property. The tax lien on real property has priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the other debt or lien existed before the attachment of the tax lien. Taxes levied by the County are the personal obligation of the property owner and, under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty and interest thereon. Except with respect to taxpayers 65 and older, any time after taxes on property become delinquent, the Authority may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax or both. In filing a suit to foreclose a tax lien on real property, the Authority must join other taxing units that have claims for delinquent taxes against all or part of the same property.

The ability of the Authority to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, certain affirmative defenses, adverse market conditions affecting the liquidation of such property, taxpayer redemption rights, general principles of equity or bankruptcy proceedings that restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents enforcement of liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

AUTHORITY AD VALOREM TAXES

Authority Tax Rates

The following table shows the ad valorem tax rates per $100 of assessed value levied by the County on behalf of the Authority, for each of the tax years 2003 through 2007. The table does not show the ad valorem tax rates levied by other County-wide taxing entities. See "AUTHORITY AD VALOREM TAXES─County-Wide Ad Valorem Tax Rates." The tax year of the Authority is the calendar year. The ad valorem tax rate that the Commissioners Court may levy on behalf of the Authority to pay the Authority's tax bonds is unlimited.

TABLE 1 – AUTHORITY TAX RATES

Purpose	2003	2004	2005	2006	2007
Debt Service	$0.02000	$0.01673	$0.01474	$0.01302	$0.01437

[a] Operations and maintenance expenses of the Authority are paid from other available revenues of the Authority.

Authority Taxable Values and Tax Rates

The following table shows the Authority's taxable values and tax rates for each of the tax years 2003 through 2007. Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

TABLE 2 – AUTHORITY TAXABLE VALUES AND TAX RATES
(dollar amounts in thousands)

	Taxable Value as of January 1			
Tax Year	Real Property[(a)(b)]	Personal Property	Total[(a)(b)(c)]	Authority Tax Rate per $100 of Taxable Value
2003	$154,163,247	$30,104,266	$184,267,513	$0.02000
2004	161,326,940	31,953,149	193,280,089	0.01673
2005	166,808,661	37,135,876	203,944,537	0.01474
2006	183,172,301	34,366,780	217,539,081	0.01302
2007	211,215,103[(d)]	37,342,384[(d)]	248,557,487[(d)]	0.01437

(a) Net of exemptions.

(b) The County, either by action of the Commissioners Court or through a process of petition and referendum initiated by its residents, may grant partial exemptions for residential homesteads of persons 65 years or older and of certain disabled persons. The Commissioners Court granted an exemption for residential homesteads for persons 65 years of age or older and disabled persons of up to $156,240 of assessed value. If requested, the County must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in an amount not to exceed $3,000 of assessed value. The County may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court has granted a 20% exemption. Legislation passed by the Texas Legislature that took effect January 1, 2004, authorizes counties to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements on residential homesteads) of disabled persons or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year such county chooses to establish such limitation. The County has not chosen to institute such a tax freeze. If ad valorem taxes have been pledged for the payment of debt prior to the adoption of any such partial exemptions, taxes may be assessed and collected against the exempt value of such homesteads if the cessation of the levy against such exempt value would impair the obligation of the contract by which the debt was created.

(c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The County or taxing unit (as applicable) in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. Any such abatement agreement may last for a period of up to 10 years. If the County or taxing unit (as applicable) enters into a tax abatement agreement with owners of taxable property within the Authority, the Authority must abate taxes on the improvements in the same manner as the County or taxing unit. The estimated value of property in the County that was subject to tax abatement as of April 25, 2008 was approximately $1.267 billion and such value at the end of the abatement period is currently estimated to be approximately $1.623 billion. Taxable value figures herein are net of abatements.

(d) Interim estimate based upon Appraisal District supplemental reports dated as of April 25, 2008. Does not include assessed values for properties whose values are currently being protested. The County expects the total value for Fiscal Year 2008 to be higher than the total taxable value for Fiscal Year 2007.

Source: Harris County Tax Assessor-Collector.

Authority Tax Levies, Collections, and Delinquencies

The table below sets forth a comparison of the ad valorem taxes levied and collected by the County on behalf of the Authority for the tax years 2003 through 2007.

TABLE 3 – AUTHORITY TAX LEVIES, COLLECTIONS, AND DELINQUENCIES
(dollar amounts in thousands)

Year	Total Tax Levy	Current Tax Collections[(a)]	Percent of Current Levy	Delinquent Collections[(b)]	Total Tax Collections	Percent of Total Collections to Levy	Delinquent Taxes Receivable[(b)]
2003	$36,923	$34,417	93.2%	$1,085	$35,502	96.2%	$261
2004	32,398	30,932	95.5	1,178	32,110	99.1	264
2005	29,689	26,805	90.3	1,119	27,924	94.1	288
2006	28,671	26,131	91.1	955	27,086	94.5	427
2007[(c)]	35,690	33,410	93.6	470	33,880	94.9	1,810

(a) Taxes levied in any year that are collected beginning October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent.

(b) Collections of prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections. The accumulation of all unpaid ad valorem taxes that were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable. The Authority writes off uncollectible personal property and real property taxes annually. Pursuant to Section 33.05, subsection (c) of the Property Tax Code, the County Tax Assessor-Collector is required to cancel and remove from the delinquent tax roll a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. The delinquent taxes may not be canceled if litigation concerning the taxes is pending.

(c) Interim estimate based upon Appraisal District supplemental reports dated as of April 25, 2008.

Source: Harris County Tax Assessor-Collector

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Principal Taxpayers

The following table lists the 15 taxpayers with the largest taxable values in the Authority.

TABLE 4 – PRINCIPAL TAXPAYERS
(dollar amounts in thousands)

Taxpayers	Type of Business	2007 Taxable Valuations[a]	Percentage of Total 2007 Taxable Valuation[b]
1. Exxon Mobil Corporation	Oil, Chemical Plant	$ 3,845,810	1.52%
2. Shell Oil Company	Oil Refinery	2,830,089	1.12
3. Centerpoint Energy Inc.	Electric Utility	2,526,174	1.00
4. Crescent Real Estate	Real Estate	1,374,136	0.54
5. Equistar Chemicals Ltd. Partnership	Chemical	1,309,415	0.52
6. Chevron Phillips Chemical Company	Oil, Chemical Plant	1,296,919	0.51
7. Houston Refining	Oil, Gas	1,174,204	0.46
8. Hines Interests Ltd. Partnership	Real Estate	1,066,965	0.42
9. Hewlett Packard Company	Computers	1,062,117	0.42
10. Southwest Bell Telephone (SBC)	Telephone	1,022,144	0.40
11. Lyondell Chemical	Oil, Chemical Plant	896,558	0.35
12. Wal Mart	Retail	675,896	0.27
13. Rohm and Haas Co.	Chemical	594,154	0.23
14. Teachers Insurance	Real Estate	589,278	0.23
15. Nabors Drilling USA LP	Oil, Gas	507,727	0.20
Total		$20,771,586	8.19%

[a] Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
[b] Based on the County's total taxable value as of December 13, 2007.

County-Wide Ad Valorem Tax Rates

In addition to the Authority's ad valorem taxes, the Commissioners Court levies taxes on property in the County on behalf of the County, the Harris County Flood Control District and the Harris County Hospital District. As with the Authority, the County Tax Assessor-Collector collects ad valorem taxes for the Harris County Flood Control District and the Harris County Hospital District using the same property values as the County, except that certain freeport goods, the State of Texas rolling stock of railroads and intangible properties of railroads and certain common carriers are taxable only by the County.

The following table shows the ad valorem tax rates per $100 of assessed value levied by the County for each of the tax years 2003 through 2007. The tax rates are based on assessment of taxable property at 100% of appraised value. (The tax year of the County is the calendar year, but its fiscal year begins March 1 and ends on the last day of February of the next year).

TABLE OF COUNTY-WIDE AD VALOREM TAX RATES

Purpose	Tax Years 2003	2004	2005	2006	2007
County:					
Operating Fund	$0.34490	$0.33117	$0.34728	$0.34221	$0.33221
Public Improvement Contingency Fund	0.00000	0.00000	0.00000	0.00000	0.00697
Debt Service	0.01889	0.04303	0.03047	0.03885	0.03200
Total ($0.80 Limited Tax Rate)	0.36379	0.37420	0.37775	0.38106	0.37118
Road Bond Debt Service:					
(Unlimited Tax Rate)	0.02424	0.02566	0.02211	0.02133	0.02121
Toll Road Authority Tax Bond:					
Debt Service (Unlimited Tax Rate)[(a)]	--	--	--	--	--
Total County Tax Rate	$0.38803	$0.39986	$0.39986	$0.40239	$0.39239
Harris County Flood Control District[(b)]	$0.04174	$0.03318	$0.03322	$0.03241	$0.03106
Port of Houston Authority Debt Service[(c)]	0.02000	0.01673	0.01474	0.01302	0.01437
Harris County Hospital District[(d)]	0.19021	0.19021	0.19216	0.19216	0.19216
Total County-Wide Ad Valorem Tax Rate.................	$0.63998	$0.63998	$0.63998	$0.63998	$0.62998

(a) The County's policy and practice has been to provide for payment of debt service on the Toll Road Authority Tax Bond debt from toll revenues and certain other funds, and no taxes have to date been collected to provide for such debt service.
(b) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Harris County Flood Control District is limited by law to a maximum of $0.30 per $100 of assessed value.
(c) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Authority to pay the Authority's tax bonds is by law unlimited.
(d) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Harris County Hospital District is limited by law to a maximum of $0.75 per $100 assessed value.

Source: Harris County Tax Assessor-Collector

AUTHORITY AD VALOREM TAX DEBT

Payment Record

The Authority has never defaulted in the payment of the principal of or the interest on any of its debt.

Ad Valorem Tax Debt Comparisons

The following table sets forth the Authority's ad valorem tax debt outstanding, as of the end of the fiscal years ended December 31, 2003, through December 31, 2007, as a percentage of taxable value and per capita.

TABLE 5 – AD VALOREM TAX DEBT COMPARISONS

Fiscal Year End	Authority's Debt Outstanding (in thousands)	Authority's Taxable Value[(a)] (in thousands)	Authority's Debt Outstanding as a Percentage of Taxable Value	Estimated Population[(c)]	Authority's Tax Debt Outstanding Per Capita
2003	$319,252	$184,267,513	0.17%	3,557,055	90
2004	303,309	193,683,513	0.16	3,596,086	84
2005	340,095[(b)]	203,944,537	0.17	3,644,285	93
2006	378,842[(b)]	217,539,081	0.17	3,693,050	103
2007	457,443[(b)]	248,557,487	0.18	3,886,207	118

(a) Net of exemptions and abatements. Property is assessed at 100% of appraised value.
(b) Includes bonds and commercial paper.
(c) Source: U.S. Census Bureau.

Source: Harris County Appraisal District

Debt Service Schedule

The following table sets forth the annual debt service schedule on the Authority's outstanding ad valorem tax debt, excluding commercial paper notes and after giving effect to the issuance of the Bonds.

TABLE 6 –DEBT SERVICE SCHEDULE

Fiscal Year Ending 12/31	Outstanding Debt Service Requirements	Series 2008A Bonds			Total Outstanding Debt Service Requirements[a]
		Principal	Interest	Total	
2008	$32,467,593	-	-	-	$32,467,593
2009	31,725,183	-	$16,364,315	$16,364,315	48,089,498
2010	29,029,339	-	13,796,613	13,796,613	42,825,951
2011	27,537,670	-	13,796,613	13,796,613	41,334,283
2012	27,912,670	-	13,796,613	13,796,613	41,709,283
2013	27,915,390	-	13,796,613	13,796,613	41,712,003
2014	27,921,975	-	13,796,613	13,796,613	41,718,588
2015	27,923,605	-	13,796,613	13,796,613	41,720,218
2016	27,927,418	-	13,796,613	13,796,613	41,724,030
2017	30,114,268	-	13,796,613	13,796,613	43,910,880
2018	30,192,830	-	13,796,613	13,796,613	43,989,443
2019	30,898,633	-	13,796,613	13,796,613	44,695,245
2020	30,865,870	-	13,796,613	13,796,613	44,662,483
2021	30,844,680	-	13,796,613	13,796,613	44,641,293
2022	30,128,555	-	13,796,613	13,796,613	43,925,168
2023	21,087,730	-	13,796,613	13,796,613	34,884,343
2024	13,006,685	$2,645,000	13,796,613	16,441,613	29,448,298
2025	12,998,535	2,820,000	13,631,300	16,451,300	29,449,835
2026	12,984,895	3,010,000	13,455,050	16,465,050	29,449,945
2027	6,509,750	9,675,000	13,266,925	22,941,925	29,451,675
2028	5,355,000	11,430,000	12,662,238	24,092,238	29,447,238
2029	5,359,750	12,140,000	11,947,863	24,087,863	29,447,613
2030	5,358,250	12,900,000	11,189,113	24,089,113	29,447,363
2031	5,360,250	13,690,000	10,398,988	24,088,988	29,449,238
2032	-	19,890,000	9,560,475	29,450,475	29,450,475
2033	-	21,105,000	8,342,213	29,447,213	29,447,213
2034	-	22,400,000	7,049,531	29,449,531	29,449,531
2035	-	23,660,000	5,789,531	29,449,531	29,449,531
2036	-	24,990,000	4,458,656	29,448,656	29,448,656
2037	-	26,395,000	3,052,969	29,447,969	29,447,969
2038	-	27,880,000	1,568,250	29,448,250	29,448,250
Total	$531,426,521	$234,630,000	$ 349,686,603	$ 584,316,603	$1,115,743,124

[a] Discrepancies in totals due to rounding.

Source: First Southwest Company

County-Wide Ad Valorem Tax Debt Service Requirements

The following table sets forth the debt service requirements on County-wide outstanding ad valorem tax debt determined as of June 1, 2008, excluding commercial paper. See "—Commercial Paper." The following table is adjusted to include the Bonds.

Fiscal Year (End of Feb.)	County Limited Tax Bonds[(a)]	County Unlimited Tax Bonds	Toll Road Unlimited Tax Bonds[(b)]	Flood Control District Limited Tax Bonds[(c)]	Port of Houston Authority Unlimited Tax Bonds	Total[(d)]
2009	$77,521,996	$64,525,279	$74,735,519	$39,230,702	$32,467,593	$288,481,089
2010	78,764,491	64,294,016	86,968,181	38,538,940	48,089,498	316,655,127
2011	74,457,954	68,859,441	86,244,181	36,132,168	42,825,951	308,519,696
2012	80,151,335	63,250,279	85,324,931	33,829,964	41,334,283	303,890,792
2013	82,972,426	59,030,779	85,059,519	33,619,727	41,709,283	302,391,733
2014	78,866,317	61,885,529	84,853,100	33,422,629	41,712,003	300,739,578
2015	80,632,112	60,180,629	83,004,219	31,908,234	41,718,588	297,443,781
2016	80,916,445	59,602,391	58,656,613	30,444,948	41,720,218	271,340,614
2017	82,207,495	58,575,841	42,866,256	29,259,993	41,724,030	254,633,615
2018	82,268,830	58,568,804	41,737,731	29,264,991	43,910,880	255,751,236
2019	67,131,007	58,097,279	41,187,050	43,625,898	43,989,443	254,030,677
2020	52,320,290	58,093,660	40,622,563	58,208,543	44,695,245	253,940,300
2021	52,322,228	58,095,648	40,049,775	57,715,736	44,662,483	252,845,868
2022	50,736,133	58,659,335	28,930,613	59,780,909	44,641,293	242,748,281
2023	50,730,835	58,651,040	28,689,022	59,013,148	43,925,168	241,009,213
2024	50,774,888	58,664,250	28,084,903	58,998,399	34,884,343	231,406,782
2025	92,346,005	58,665,750	27,462,059	19,806,573	29,448,298	227,728,685
2026	39,307,490	50,863,000	17,500,338	35,348,250	29,449,835	172,468,913
2027	39,047,080	48,956,000	16,886,138	34,035,500	29,449,945	168,374,663
2028	38,828,400	47,049,000	16,275,756	32,722,750	29,451,675	164,327,581
2029	34,746,225	45,262,000	15,659,194	31,442,000	29,447,238	156,556,656
2030	28,019,680	43,480,250	15,046,450	30,161,250	29,447,613	146,155,242
2031	27,801,047	41,698,500	14,432,394	28,880,500	29,447,363	142,259,804
2032	27,608,200	39,916,750	13,817,025	27,567,750	29,449,238	138,358,962
2033	21,909,885	-	13,205,213	-	29,450,475	64,565,572
2034	-	-	12,586,956	-	29,447,213	42,034,169
2035	-	-	-	-	29,449,531	29,449,531
2036	-	-	-	-	29,449,531	29,449,531
2037	-	-	-	-	29,448,656	29,448,656
2038	-	-	-	-	29,447,969	29,447,969
2039	-	-	-	-	29,448,250	29,448,250
Total[(d)]	$1,472,388,795	$1,344,925,449	$1,099,885,697	$912,959,502	$1,115,743,124	$5,945,902,568

(a) Includes certain Hotel Occupancy Tax supported debt service. Debt service on the County Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004B is based on a rate of 4.41% until August 15, 2012 and an assumed rate of 3.34% thereafter.

(b) The County's policy and practice has been to provide for payment of debt service on the Toll Road Tax Bonds from toll road revenues and certain other funds, and no tax has to date been collected to provide for such debt service.

(c) Includes the outstanding $39,660,000 Harris County Flood Control District Contract Tax Refunding Bonds, Series 2004A; the $94,185,000 Flood Control District Contract Tax Refunding Bonds, Series 2006A; the $137,095,000 Flood Control District Contract Tax Refunding Bonds, Series 2008A; and the $156,270,000 Flood Control District Contract Tax Refunding Bonds, Series 2008B; all of which are payable from contractual payments made by the County to the District secured by the County's limited tax pursuant to the Flood Control Projects Contract. Debt service on Flood Control District Contract Tax Refunding Bonds, Series 2008B is based on an assumed rate of 3.486%.

(d) Discrepancies in totals due to rounding.

Authorized Debt of the Authority

The authorization for the Authority's Commercial Paper Program consist of two separate bond elections, (i) an election held on November 2, 1999, in which voters of the Authority authorized the issuance of $387,000,000 of debt (the "1999 Election) and (ii) an election held on November 6, 2007, in which voters of the Authority authorized the issuance of $250,000,000 of debt (the "2007 Election," and together with the 1999 Election, the "Elections"). The Elections authorized the debt, which may be issued as bonds or commercial paper notes, to be payable from the levy of an unlimited ad valorem tax to provide funding to pay costs of acquiring, purchasing, constructing, enlarging, extending, repairing or developing facilities or aids incident to or useful or necessary in the operation or development of the Authority's ports and waterways or in aid of navigation and commerce thereon, including, without limitation, channels and turning basins, wharves, docks, warehouses, grain elevators, bunkering facilities, railroads, floating plants and facilities, lightering and towing facilities, bulk handling facilities and appurtenances thereto (including related transportation facilities and environmental enhancements) to provide economic development. See "AUTHORITY AD VALOREM TAX DEBT – Debt Service Schedule."

Authorized but Unissued. Upon the issuance of the Bonds and the refunding of the Refunded Notes, there will be no authorized but unissued debt pursuant to the 1999 Election. The Authority is in the process of amending its commercial paper program to include $250,000,000 authorized in the 2007 Election.

Commercial Paper Program. The liquidity provider for the commercial paper notes is Bank of America, N.A. (the "Bank"). The expiration date of the liquidity facility is October 3, 2008. The commercial paper notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified terms of such commercial paper, but not to exceed 10%. The principal of and interest on the commercial paper notes is payable from ad valorem taxes and other funds that may be provided under the liquidity facility.

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Estimated Authority and Overlapping Ad Valorem Tax Debt

In addition to the taxing entities mentioned above, approximately 31 cities, towns and villages, 25 independent school districts, four college districts and approximately 348 utility districts are empowered to levy taxes on property within the County.

The following summary of estimated outstanding ad valorem tax debt of taxing entities in the County was compiled by the Authority's financial advisor from a variety of sources, including Texas Municipal Reports as compiled and published by the Municipal Advisory Council of Texas. The Authority believes such sources to be reliable, but the Authority takes no responsibility for the accuracy or completeness thereof. The table reflects debt of County-wide taxing entities outstanding as of the date shown, and of other taxing entities outstanding as of various dates. Certain entities listed below may have issued substantial amounts of tax debt since the latest available data and may have capital improvement programs requiring the issuance of a substantial amount of additional tax debt.

	Long Term Debt Outstanding (dollar amounts in thousands)	
County-Wide Taxing Entities[a]:		
Harris County Flood Control District	$ 539,140	
Harris County[b]	1,678,274	
Port of Houston Authority[c]	578,595	$2,796,009
Cities:		
Houston[d]	$ 2,129,462	
Other cities[e]	492,957	2,622,419
Independent School Districts, Junior College Districts and the Harris County Department of Education:[e]	$ 8,322,303	
Utility Districts[e]:	3,154,563	11,476,866
Total		$ 16,895,294

(a) Determined as of June 1, 2008. Exclusive of commercial paper transactions. See "-Commercial Paper Program."
(b) Excludes all outstanding Toll Road Tax Bonds which are secured by a subordinate lien on toll road net revenues and no tax has ever been required to pay such bonds. See "-County-Wide Ad Valorem Tax Debt Service Requirements-Footnote (a)".
(c) Adjusted to include the Bonds.
(d) Includes ad valorem tax bonds of utility districts assumed by the City of Houston and certain contract tax bonds substantially equivalent to ad valorem tax bonds. Excludes commercial paper balances.
(e) Aggregate net debt as estimated by the Municipal Advisory Council of Texas as of various dates for other cities (not including the City of Houston) located within the County, 25 independent school districts and four junior college districts and approximately 344 utility districts located within the County.

Revenue Debt of the Authority

In addition to the unlimited tax bonds of the Authority, the Authority issues, from time to time, debt secured by certain revenues of the Authority other than taxes. The Authority has no outstanding revenue debt.

THE AUTHORITY

General

The Authority is a navigation district and independent political subdivision of the State of Texas, operating pursuant to Texas statute, including Chapter 117, Acts of the 55th Legislature, Regular Session, 1957, as amended, and Chapters 60, 61 and 62 of the Texas Water Code, as amended. The Authority by statute operates independently of other governmental entities, except that the County, upon request of the Authority, sets the Authority's tax rate, levies the Authority's tax and issues and authorizes the Authority's general obligation bonds and commercial paper notes. The County Auditor by statute serves as the Authority's auditor, and the County Treasurer serves as the Treasurer of the Authority. Responsibility for all other activities of the Authority is exercised by a Port Commission composed of seven commissioners. Two members of the Port Commission are appointed by the County Judge and Commissioners Court; two by the Mayor and City Council of the City of Houston, Texas; one by the Mayor and City Council of the City of Pasadena, Texas; one by the Harris County Mayors & Councils Association. The Chairman of the Port Commission is jointly appointed by the governing bodies of the County and the City of Houston.

The Authority has been a deep draft port since 1914. The Channel, the center of the Port of Houston ("Port") complex, extends 50 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's wharves, but also a large number of privately owned wharves. As of December 31, 2007, the Authority had 592 regular employees and had contracted for 500 employees from various longshoremen union halls.

Security

The Authority has enhanced its security infrastructure since September 11, 2001. Among its actions, it has increased the number of personnel with security duties, and entered certain information-sharing and security agreements with other governmental agencies. It has conducted a security assessment of its facilities, and prepared facility security plans subsequently approved by the United States Coast Guard, the agency primarily responsible for security on the Channel. The Authority built and presently operates a Port Communication Center, a Mobile Communications Center, and has otherwise increased and upgraded its communications equipment. Finally, the Authority has installed radiation portal monitors, currently operated by United States Customs and Border Patrol, for container screening.

Additionally, the Authority has implemented identification credential procedures and installed gates and other access controls, security cameras, lighting, fencing, and other security equipment, and is currently preparing for the implementation and enforcement of the federal Transportation Worker Identification Credential (TWIC) program.

The Authority has been awarded nearly $39 million under the federal Port Security Grant Program since 2003, including $5.3 million in 2007, to accomplish a number of the foregoing projects.

In March, 2008, the Authority received certification from the International Organization for Standardization ("ISO") of its Security Management System ("SMS") under ISO 28000:2007, for the Barbours Cut Terminal ("BCT") and the Bayport Container Terminal ("Bayport"). The ISO 28000:2007 certification indicates the recipient has met certain security management system requirements. The ISO is a network of the national standards institutes of 157 countries, and is the largest developer and publisher of international standards.

The Authority is working with other governmental entities and private businesses within the Channel area to create the Houston Ship Channel Security District ("HSCSD"). The HSCSD was authorized in 2007 to provide oversight of comprehensive and cost-effective security solutions for the channel area, leveraging more than $30 million in federal port security grants awarded to Harris County to install technology and security infrastructure, with operations, maintenance and matching dollars to fund specific projects, maintenance and operational services.

Business of the Authority

The Authority owns a diverse group of facilities designed for handling general cargo, containers, grain, other dry bulk materials, project and heavy-lift cargo and virtually any other kind of cargo. In addition, the Authority leases land to others, provides railroad rights-of-way for the Port Terminal Railway Association ("PTRA"), licenses pipeline crossings of its property, and owns and maintains areas for depositing dredged materials.

The Authority's operating revenues for 2007 were nearly $190 million, an increase of 14% from operating revenues for 2006. Revenue tonnage (including Bayport) totaled 33.4 million tons in 2007, up 14% from 2006. This included a 16% increase in general cargo from 2006 to 2007.[a]

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[a] Unaudited information as reported by the Authority as of June 2, 2008.

Facilities owned by the Authority are either operated for hire on a first-come, first-served basis, leased to private operators or in some cases subject to preferential, but not exclusive, berthing arrangements. Other privately owned wharves-for-hire located at the Port compete directly with the Authority's general cargo wharves. The Authority neither regulates the tariffs charged by, nor derives any revenues from, any of the privately owned wharves, except for certain revenues from private wharves located in the Bayport Industrial District and served by the Bayport Channel and Bayport Turning Basin. See "– Physical Characteristics of the Port Facilities of the Authority – Table 7."

Port Facilities of the Authority

Turning Basin Terminal. The Authority owns general cargo wharves at the Turning Basin Terminal in the upper channel area. Each wharf can berth one or more ships depending on the length of the ship. These wharves have substantial dockside facilities, including open and enclosed short-term storage space, and a wharf specifically designed for handling heavy-lift cargoes. Cargo storage areas adjoining the wharves are subject to a lease.

Woodhouse Terminal. Woodhouse Terminal is located on a 100-acre tract a short distance downstream from the Turning Basin Terminal. The terminal includes over 230,000 square feet of shed space, three general cargo wharves with rail access, a roll-on/roll-off ("RO/RO") ramp, and a modern six million bushel capacity grain elevator and ancillary property, which is under a lease through May 2018 that provides the lessee certain preferential berthing rights.

Bulk Materials Handling Plant. The Authority owns the Bulk Materials Handling Plant, a two–berth dry bulk terminal in the mid-channel area. Each berth has the capacity for one ship. Berth 1 has a high-capacity loading crane supplied by a conveyor belt system. Portions of the terminal are leased through June 2017 under a lease that affords the lessee certain preferential berthing rights.

Jacintoport Terminal. The Authority owns the Jacintoport Terminal which is located in the mid-channel area. This approximately 125 acre site consists of three wharves, various warehouse facilities and buildings, rail access, and four high-capacity automated loader cranes. Also available are refrigerated, frozen, and dry cargo facilities used for both cargo handling and storage. Portions of the terminal are currently under leases scheduled to expire in December 2008 and February 2020, including one that provides for certain preferential berthing rights.

Care Terminal. The Care Terminal adjoins the Jacintoport Terminal, and consists of two wharves, a shed, a paved marshaling area and rail access. Portions of the terminal are currently under lease through 2012, including one lease providing certain preferential berthing rights.

Barbours Cut Terminal. BCT provides special-purpose facilities for container ships. This terminal is located 25 miles downstream from the Turning Basin near the point where the Channel enters Galveston Bay and is two hours sailing time from the Gulf of Mexico. BCT's six berths provide 6,000 feet of continuous quay. Numerous wharf cranes ensure efficient and reliable handling of containers and can traverse the wharves to serve ships simultaneously or singly, as required. Container yard cranes are in use in the Authority's marshalling areas behind container berths to transfer containers to and from land carriers. This facility also includes paved marshalling areas and warehouse space. The container freight station, a railroad ramp point and a RO/RO platform can handle the loading and unloading of ships carrying cargo on wheeled vehicles. This platform can serve ships using Container Terminal 1, RO/RO cargoes and transit shed cargoes. Container Terminal 6 and a portion of Container Terminal 5 at BCT are currently under a lease scheduled to expire April 2027 that affords the lessee certain preferential berthing rights. The Authority has also entered into a Marine Terminal Service Agreement with one shipping line, scheduled to expire December 2018, that provides certain preferential berthing rights.

Bayport Container Terminal. Bayport provides special-purpose facilities for container ships. This terminal opened in February 2007 and is located approximately 5 miles south of BCT. Bayport's two existing berths provide 2,000 feet of continuous quay. Wharf cranes ensure efficient and reliable handling of containers and can traverse the wharves to serve ships simultaneously or singly, as required, and container yard cranes are in use in the Authority's marshalling areas behind container berths. This facility also includes paved marshalling areas. Work continues on additional expansion of the facility, which when completed is expected to have seven container berths, three cruise ship berths and a cruise ship terminal facility. See "-Authority's Capital Improvement Program - Bayport."

Liquid Cargo Facilities. The Authority owns wharves used for bulk liquid cargo, one of which is located in the San Jacinto Bay area. Other wharves may serve both ships and barges and are located in the Turning Basin Terminal area. Preferential, but not exclusive, berthing rights have been granted at a barge facility and two other facilities.

Other Facilities of the Authority

In addition to its wharves, the Authority owns numerous miles of railroad track and rights-of-way and has ample storage yard capacity for railroad cars near all its facilities. These yards are located on property made available to the PTRA, an association of line railroads serving Houston and the Authority. The Authority also owns the East Industrial Part ("EIP"), a 315-acre industrial park adjacent to the Turing Basin Terminal. EIP includes undeveloped channel frontage. Much of this property is leased or rented to various private industries that independently maintain and operate these facilities.

The Authority also owns a four-story office building located in the Turning Basin Terminal which houses the Authority's executive offices and much of the Authority's administrative staff.

Authority's Capital Improvement Program

General. The Authority anticipates that its capital expenditures will continue to be primarily applied to Bayport construction. See "—Bayport." Funds projected to be used for these expenditures include the proceeds from the sale of commercial paper and port improvement general obligation bonds and current available funds.

In addition to the expenses associated with modernization and expansion at the Authority's terminals nearly $2.2 million of the proposed expenses to be incurred in 2008 are attributable to the Authority's role as local sponsor of the Channel and those expenses associated with bringing the benefits of deep-draft navigation to Harris County. These expenses are associated with capital projects, which are not terminal specific, but are investments for the public benefit. These expenses include the $14.9 million for cost sharing obligations to the United States Army Corp of Engineers ("USACE") for maintenance of features associated with the widening and deepening of the Channel and dredge placement sites used by facilities along the 50-mile long channel for the materials resulting from the maintenance dredging needed to utilize their docks.

Houston Ship Channel. The initial construction phase of the Channel deepening and widening project was completed and a channel opening celebration was held in August 2005, sponsored by the Authority and the USACE. The Channel was deepened from 40 feet to 45 feet, and widened from 400 feet to 530 feet.

The continuing cost of the project over the 50-year life is expected to be $705.2 million, to be shared by the federal government, the Authority and other nonfederal interests. Federal funding for the project must be approved through individual appropriation bills each fiscal year. Congress has to date appropriated approximately $265.5 million from fiscals years 2001 through 2008. Specifically, $53.5 million for fiscal year 2001; $33.8 million for fiscal year 2002; $36 million for fiscal year 2003; $35.5 million for fiscal year 2004; $22 million for fiscal year 2005; $26 million for fiscal year 2006; $43 million for fiscal year 2007 and $15.7 million for fiscal year 2008. Construction funds in the amount of $17.5 million have been requested to continue the deferred construction portion of the project in fiscal year 2009. As of December 31, 2007; the Port Authority has spent $130 million towards its share of the project. The Authority does not anticipate increasing its local share.

As part of the Houston Ship Channel project, the Port of Houston Authority will create 4,250 acres of marsh in Galveston Bay, a bird island and boater destination. This marsh creation project using dredged material is the largest of its kind and has been conducted with cooperation and support from local resource agencies.

The Houston Ship Channel project has nearly completed activities associated with its first maintenance cycle dredging operations. The Authority has deferred construction elements that have already been designed, to be included in future fiscal year construction programs to provide for additional capacity needs in the Channel. In an effort to address capacity needs, projects have been planned and programmed to elevate the levees of the upland sites along the Channel. The Authority also continues working closely with the Beneficial Use Group of eight local resource agencies to plan two more marsh/habitat sites at Atkinson Island.

Bayport. Bayport is a new container and cruise complex to accommodate the expanding needs of existing and new customers. The facility is located on an industrial complex in southeast Harris County. Bayport is linked by channel to the Houston Ship Channel. Bayport's proximity to BCT benefits the customers at Bayport due to competitive rail and trucking charges and affordable ancillary services.

At completion, Bayport container facility will include 7,000 feet of berth, 378 acres of container yard, additional acres for buildings, equipment, cranes and an intermodal rail yard. At capacity, the facility is expected to be able to move 2.3 million Twenty foot Equivalent Units ("TEUs"). While the primary purpose of Bayport is to provide a container terminal to keep pace with the expanding growth in container traffic, the plan also includes provisions for a cruise terminal, with up to three cruise berths and an east-end turning basin. The Authority is in the process of negotiating with cruise lines to call on the facility once constructed.

Currently, there are two phases at Bayport, Phase 1A and Phase 1. Construction of Phase 1A at Bayport is substantially complete. The remaining construction of the initial cruise terminal improvements is also expected to be completed shortly. Planning of Phase 1 at Bayport is now nearing completion. Taken together with Phase 1A, the construction will provide 3,330 feet of wharf, a container freight station, gate(s), administration and maintenance buildings, over 165 acres of container yard, 9 wharf cranes and 27 rubber-tire gantry cranes. To facilitate access to the container terminal and cruise facility, dedicated entrances are planned during later phases to divert access to and from State Highway 146. These dedicated entrances will also minimize the mixing of truck traffic with automobile traffic; and, thereby, providing a safer traffic environment. Taken together, Phases IA and Phase I would allow for the annual handling of 700,000 TEUs.

The entire project, to be completed over an estimated 15 to 20 year period according to market demand and is estimated to cost approximately $1.8 billion. See "REGULATION AND LITIGATION – Environmental Regulation" and "– Community Relations."

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Physical Characteristics of the Port Facilities of the Authority

Below in Table 7 are the physical characteristics of the Port Facilities of the Authority along with information regarding equipment at certain sites, such information is updated as of the Authority's most recent audited financial statements through December 31, 2007.

TABLE 7 - PHYSICAL CHARACTERISTICS OF THE PORT FACILITIES OF THE AUTHORITY

	Berth Lengths (Feet)	Water Depth Below Mean Tide (Feet)	Paving Marshalling Area (Acres)	Covered Storage (Sq. Ft.)
Turning Basin Terminal[b]				
36 general cargo wharves	376-600	27-37[a]	27.3	1,400,000
5 liquid bulk wharves	226-570	28-36[a]	N/A	N/A
heavy duty cargo	800	37[a]	20.2	N/A
Woodhouse Terminal [c]				
Wharf 1	660	39[a]	2.2	N/A
Wharves 2 and 3	1,250	35	N/A	231,750
Grain Dock	600	40	N/A	N/A
Dry Bulk Cargo Facility				
Wharf	800	42	N/A	N/A
Lay Berth	400	42	N/A	N/A
Jacintoport Terminal				
Wharves 1— 3	1830	38	7.5	82,500
Care Terminal				
Wharf 1	500	36	9.6	45,000
Wharf 2	618	38	4.0	N/A
San Jacinto Bay Barge Facility				
Barge Berth	320	40	N/A	N/A
Upper Channel Bulk Cargo Facilities				
Berths	200-700	26-50	N/A	N/A
Barbours Cut Terminal[d]				
LASH Berth	950	36	N/A	N/A
Container Berths 1 — 6	6,000	40	240	255,000
Passenger Berth	900	40		
Bayport Container Terminal[e]				
T-5	2,000	40	107	0
Bayport Cruise Terminal	900		3.1	86,000

[a] The maximum depth of the Channel in this area.

[b] Onsite equipment consists of two 40 long ton capacity container cranes which serve nine berths on a rental basis. In addition, privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

[c] Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2, a 6,000,000-bushel capacity grain elevator having an average loading capacity of 80,000 bushels per hour.

[d] Onsite equipment consists of six 40-ton and five 50-ton container cranes, forty-one 40-ton container yard cranes, four 30,000 pound lifters for handling empty containers, three 40 long ton container handling machines, 33 heavy-duty tractors, and 125 heavy-duty yard chassis are available for rent from the Authority.

[e] On site equipment consists of six 50-ton container cranes, eighteen 40-ton yard cranes, six heavy duty terminal tractors and 22 yard chassis.

Source: Port of Houston Authority

Annual Cargo Amounts

The following table shows the amount of cargo handled by the entire Port of Houston for each of the years 1998-2006. The entire Port of Houston (which includes facilities not owned by the Authority) ranks first in foreign tonnage and second in total tonnage as compared to other United States ports.

TABLE 8 – ANNUAL CARGO AMOUNTS
(in thousands)

Year	Short Tons
2006	222,147
2005	211,666
2004	202,047
2003	190,923
2002	177,561
2001	185,050
2000	186,567
1999	158,828
1998	169,070

Source: U.S. Corps of Engineers

INVESTMENTS

The Authority invests its funds, subject to investment, in such investments as are authorized by State law, and in accordance with written investment policies approved by the Port Commissioners of the Authority, a copy of which is available upon request. Both state law and the Authority's investment policies are subject to change.

The Office of the Controller of the Authority invests all funds of the Authority. The Department of Financial Services of the County acts as an investment agent on behalf of the Authority. The Authority and the County have separate investment portfolios that are not commingled into a single pool of investments.

Investment Strategy and Policy

Under State law, the Authority is required to invest its funds under a written investment strategy and policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. All Authority funds must be invested in investments that are consistent with the operating requirements of the Authority. The Authority's written investment policy specifically excludes investments in bankers' acceptances.

In practice, the Authority's investments are limited to obligations of the United States or its agencies and instrumentalities, collateralized mortgage obligations, certificates of deposit, fully collateralized repurchase agreements, commercial paper, municipal obligations rated "AA" or higher, and money market mutual funds. Under State law, Authority investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

Under Texas law, the Authority is authorized to invest in (1) obligations of the United States or its agencies or instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage bonds directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for Authority deposits, (7) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or a branch office in the State of Texas, that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (6) above or in any other manner and amount provided by law for County deposits, and (b) certificates of deposit or share certificates issued by a depository institution that has its main office or a branch office in the State of Texas that participate in the Certificate of Account Registry Service, (8) fully collateralized repurchase agreements that have a defined securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptance with a remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that has a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invests exclusively in bonds described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, (13) obligations issued, assumed, or guaranteed by the State of Israel, and (14) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1) above in an amount at least equal to the amount of the bond proceeds invested under such contract.

Current Investment Distribution

The following percentages of the Authority's funds subject to investment were invested in the following categories of investments. The average remaining maturity of such investments was 32 days based on par value.

TABLE 9 – CURRENT INVESTMENT DISTRIBUTION[(a)]

Money Market Deposits	71%
U.S. Government Agencies Securities	9%
Commercial Paper	20%
TOTAL	100%

[(a)] Unaudited information as reported by the Authority as of March 31, 2008.

AUTHORITY SWAP POLICY

On September 26, 2005, the Authority adopted a master interest rate swap policy (the "Swap Policy"), to provide guidance for the Authority in its use of swaps, caps, floors, options and other derivative financial products (collectively, "Swaps") in conjunction with the Authority's management of its assets and liabilities. The Swap Policy describes the circumstances and methods by which Swaps will be used, the guidelines to be employed when Swaps are used, and who is responsible for carrying out these policies. The Authority may enter into Swaps as authorized by the Port Commission of the Authority (the "Commission") and pursuant to the provisions of Chapter 1371 of the Texas Government Code and other relevant statutes.

As a general rule, selected swap counterparties must (i) be rated at least AA-/Aa3/AA- by at least two of the three nationally recognized credit rating agencies and have a minimum capitalization of $50 million, or (ii) alternatively, must post suitable and adequate collateral, given the undertaking involved with the particular transaction. In addition, if applicable to the subject transaction, the counterparty should have a proven record of creating and implementing innovative ideas in the Swap market and maintaining a market for such products. In order to limit the Authority's counterparty risk, the Swap Policy establishes a maximum notional amount for interest rate Swaps between a particular counterparty and the Authority not to exceed $50 million or the 20% limit on variable rate exposure in total for any given security or credit of the Authority.

The Swap Policy provides that the Authority may choose counterparties for entering into Swap contracts on either a negotiated or competitive basis. To provide safeguards on negotiated transactions, the Swap Policy provides that the Authority shall rely upon a Swap advisor to negotiate the price and render a "fair pricing opinion."

The Authority will track and regularly report on the financial implications of its Swaps. At least quarterly, the Authority's Controller shall submit a report to the Commission including: (i) all changes to Swap agreements or new Swap agreements entered into by the Authority since the last report to the Commission; (ii) the marked to market value of each of the Authority's Swap agreements; (iii) the net impact to the Authority of 50 and 100 basis point movements, up or down, with the appropriate Swap index or curve; (iv) for each counterparty, its total notional amount position, the average life of the term of each such Swap agreement, its available capacity to enter into a Swap transaction, and the remaining term of each such Swap agreement; the credit ratings of each Swap counterparty, and those of any credit enhancer insuring Swap payments; (v) the actual collateral posting by each Swap counterparty, if any, and by the Authority, if any, for each Swap agreement and in total by Swap counterparty; (vi) the market movement or rating change required to trigger a collateral posting requirement by counterparty agreement; (vii) a summary of each Swap agreement including but not limited to the type of Swap, the rates paid by the Authority and received by the Authority, specific terms, and other information of interest to the Commission; (viii) any default or rating change by a Swap counterparty to the Authority, and the results of the default including the financial impact to the Authority, if any; and (ix) a summary of any planned Swap transactions and the impact of such Swap transactions on the Authority's asset/liability management program.

REGULATION AND LITIGATION

Environmental Regulation

The construction of Bayport is subject to a USACE permit issued in January 2004, following community input sought by the Authority over the proceeding six years. The permit includes a number of requirements resulting from the Authority's dredge and fill and other activities associated with Bayport construction. The Authority has also taken various measures beyond these requirements. In particular, the Authority created wetlands near Armand Bayou equal to three times the area of those affected in conjunction with construction. Additionally, the Authority bought 950 acres of wetlands, prairie, and wooded habitat, and subjected the areas to conservation easements. The Authority agreed to create "beneficial use" sites in Galveston Bay, using dredged materials. As construction progresses at Bayport, the Authority carries out detailed archeological investigations. The Authority also agreed to stringent air emission and dust control requirements, turbidity controls, and sound reduction measures, in connection with certain construction activities. Finally, the Authority agreed to construct and earthen berm along portions of the southern perimeter of Bayport. The USACE permit expires December 31, 2009, and the Authority anticipates applying for its renewal before that date.

Separately, the Authority is currently working with officials in the La Porte and Shoreacres communities adjacent to the Bayport Channel's north shore to implement a pilot program to install sound mitigation improvements in as many as twelve homes in those communities. The pilot program is designed to address effects of sound being generated at Bayport.

Finally, the Authority is working with the Texas Commission on Environmental Quality ("TCEQ") to address particulate emissions in the vicinity of EIP.

The Authority has undertaken a number of other environmental-related initiatives. The Authority was selected by the United States Environmental Protection Agency ("EPA") to participate in a local government Environmental Management System ("EMS") Initiative, implementing management processes and procedures to allow it to better analyze, control, and reduce the environmental impact of its activities, products and services and operate with greater efficiency and control. Expected benefits include improved overall environmental performance, expanded pollution prevention opportunities and improved compliance. The EPA and TCEQ have recognized the Authority as the first port in the United States to achieve compliance with the ISO 14001 standards for its EMS for the Turning Basin Terminal, BCT and Central Maintenance facility. The Authority is currently expanding its EMS program to cover Bayport. Additionally, the Authority continues participation in the EPA's National Environmental Performance Track program.

The Authority continues to work towards improving air quality in the Houston-Galveston Area with air emission reductions of NOx and VOC through its operations of off-road and on-road fleets.

In 2008, the Authority began a second Greenhouse Gas (GHG) emission inventory to help determine future GHG emission reduction goals.

Community Relations

In March 2005, the Authority entered into a Road Development Agreement with Harris County, Texas, providing each would contribute approximately $40 million over a five year period for road improvement work in the vicinity of Bayport and ancillary matters.

In November 2007, the Authority entered into a Memorandum of Settlement Agreement with the city of Seabrook, Texas ("Seabrook"), in conjunction with the Authority's acquisition of the Bayport property by eminent domain. The Authority and Seabrook agreed to investigate and mitigate sedimentation of Pine Gully in Seabrook. The parties also agreed on a rail sound barrier and a schedule for the Authority's construction of the berm adjoining Seabrook, which will be incorporated into Seabrook's network of hike and bike trails. The Authority agreed to measures with respect to lighting, sound container storage and rail operations. The Bayport property was disannexed from Seabrook and brought within a new industrial district. Finally, in April 2008, following the dismissal of the Seabrook lawsuits, the Authority transferred approximately 41 acres of property to Seabrook for public park purposes.

The Authority is currently working with the city of Pasadena to address the impacts of Bayport operations within its city limits.

Area Topography and Land Subsidence

The land surface in certain areas of Harris County has subsided several feet since 1943 and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975 the Texas Legislature created the Harris-Galveston Coastal Subsidence District (HGCSD) to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This state agency, with no powers to levy taxes or incur debt, encompasses an area, which includes the existing surface water supplies, provides an alternative source of water to meet many industrial and domestic water needs and, with the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. The Authority completes annual water usage reporting to the HGCSD and annual permitting.

Pending Litigation and Claims

The following matters are considered by the Authority to be material for purposes of this Official Statement. Although in addition to the matters specifically listed, the Authority is involved in other litigation and claims. While uncertainties are also inherent in the final outcome of such other matters and it is presently impossible to determine the costs that ultimately may be incurred or their effect on the Authority, management believes that the resolution of such uncertainties and the incurrence of such costs, regarding such other matters, should not result in a material adverse effect on the Authority's financial position, results of operations or liquidity.

The Authority is the defendant in a breach of contract action brought by Zachry Construction Corporation ("Zachry") in November 2006. The lawsuit arises out of a contract which the Authority entered into with Zachry in June 2004, for the construction of the initial 1,660 feet of wharf at the Bayport Terminal. An additional 332 feet of dock was later added to the contract by change order.

Zachry seeks damages in the amount of $34,241,945, faulting the Authority for Zachry's decision to abandon the use of a freeze wall cofferdam to construct the dock "in the dry," and complete the work "in the wet."

The Authority disputes all of Zachry's contentions and intends to vigorously contest the matter. Uncertainties are inherent in the final outcome of the above-described matter, and it is presently impossible to determine its resolution and the costs that ultimately may be incurred in connection with such resolution.

In December 2007, A-1 American Fence, Inc. ("A-1") asserted a claim against the Authority for additional work and expense incurred in connection with its construction contract at the Authority's Turning Basin Terminal. A-1 has claimed damages of at least $2,900,000. The Authority does not intend to pay the amount sought by A-1; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

The Authority has been named in a lawsuit filed in April 2008 by Hapag-Lloyd Aktiengesellschaft; however, as of May 20, 2008, it has not yet been served with process. Plaintiff asserts a claim for property damages, which the Authority understands to approximate $1,000,000, resulting from a shore crane spreader bar that fell damaging a hatch cover on a vessel docked at the Authority's Barbours Cut Terminal. Because this matter is in the earliest stages of proceedings, the Authority has not reached any judgment as to the likely outcome or the range of potential loss.

BONDHOLDERS' REMEDIES

The Orders do not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the County or the Authority to perform in accordance with the terms of the Orders or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Orders. Furthermore, the Orders do not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the County or the Authority to observe any covenant under the Orders. A registered owner of Bonds could seek a judgment against the County and/or the Authority if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the County or the Authority and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the County to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Orders. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Authority is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Orders and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

TAX EXEMPTION

In the opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel, (a) interest on the Bonds is excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income of the owners thereof for federal income tax purposes (except with respect to interest on the Bonds for any period during which any Bond is held by a "substantial user" or a "related person" thereto as provided in Section 147(a) of the Code), and (b) the Bonds are "private activity bonds" under the Code and therefore, interest on the Bonds is an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations.

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alterative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on private activity bonds, such as the Bonds, issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the Bonds is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the Authority with certain covenants of the Authority Order authorizing the issuance of the Bonds and has relied on representations by the Authority with respect to matters solely within the knowledge of the Authority, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of proceeds of the Bonds and any facilities financed therewith, the source of repayment of the Bonds, the investment of proceeds of the Bonds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of proceeds of the Bonds and certain other amounts be paid periodically to the United States and that the Authority file an information report with the Internal Revenue Service. If the Authority should fail to comply with the covenants in the Authority Order, or if its representations relating to the Bonds that are contained in the Authority Order should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Tax Treatment of Original Issue Discount and Premium Bonds

Discount Bonds. According to representations of the Initial Purchasers, some of the Bonds may be offered at initial offering prices which are less than the stated redemption prices at maturity of such Bonds. If a substantial amount of any maturity of the Series 2008A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, an initial owner who purchases the Series 2008A Bonds of that maturity (the "Discount Bonds") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bond under the caption "Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Individuals and corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Authority. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Premium Bonds. According to representations of the Initial Purchasers, some of the Bonds maybe offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Series 2008A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Series 2008A Bonds of such maturity (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond .

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION BY AN OWNER OF BONDS THAT ARE NOT PURCHASED IN THE INITIAL OFFERING OR WHICH ARE PURCHASED AT AN AMOUNT REPRESENTING A PRICE OTHER THAN THE INITIAL OFFERING PRICES FOR THE BONDS OF THE SAME MATURITY MAY BE DETERMINED ACCORDING TO RULES WHICH DIFFER FROM THOSE DESCRIBED ABOVE. MOREOVER, ALL PROSPECTIVE PURCHASERS OF BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF PREMIUM BONDS.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments; are investment securities governed by Chapter 8, Texas Business and Commerce Code; and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The Authority has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above-purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

LEGAL MATTERS

The delivery of the Bonds is subject to the approving opinion of the Attorney General of Texas and the legal opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Texas. The opinion of Bond Counsel will be based upon an examination of transcripts of certain proceedings taken by the Authority incident to the issuance and delivery of the Bonds.

The fees of Bond Counsel for their services with respect to the Bonds are contingent upon the issuance and delivery of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Authority Order, the Authority made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe this agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the Authority Order, the Authority will be obligated to provide certain updated financial information and operating data annually and timely notice of specified material events, to certain information vendors. This information is available to securities brokers and others who subscribe to receive information from the vendors.

Annual Reports

The Authority annually will provide certain updated financial information and operating data to all NRMSIRs and any SID, defined below. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A and under schedules listed in APPENDIX D. The Authority will update and provide this information within six months after the end of each fiscal year. The Authority will provide updated information to each nationally recognized municipal securities information repository ("NRMSIR") and any state information depository ("SID") designated for the State and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Authority may provide updated information in full text, or may incorporate by reference other publicly available documents, or in such other form consistent with the agreement, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the Authority commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide audited financial statements when and if they become available, but if such audited financial statements are unavailable, the Authority will provide such financial statements on an unaudited basis and any additional financial information required within this Official Statement within the required time. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation.

The Authority's current fiscal year-end is the last day of December. Accordingly, the Authority must provide updated information by June 30 in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Secondary Market Disclosure

The Municipal Advisory Council of Texas has received Securities and Exchange Commission approval to operate, and has begun to operate, a "central post office" for secondary market disclosure filings made by issuers of municipal obligations such as the Authority. An issuer may submit its secondary market disclosure filings to the central post office, which will then transmit the filings to the NRMSIRs, the MSRB, and the appropriate SID for filing, where applicable. This central post office can be accessed and utilized by issuers at www.DisclosureUSA.com ("DisclosureUSA"). The Authority intends to utilize DisclosureUSA for the filing of secondary market disclosure filings relating to the Bonds, but may discontinue making such filings through DisclosureUSA and utilize any other method of filing permitted by federal securities law at any time.

Material Event Notices

The Authority also will provide timely notices of certain events to certain information vendors. Specifically, the Authority will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor Orders make any provision for credit or liquidity enhancement or requiring the funding of debt service reserves. In addition, the Authority will provide timely notice of any failure by the Authority to provide annual financial information or operating data and audited financial statements in accordance with its agreement described above under "Annual Reports." The Authority will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board (the "MSRB").

Availability of Information from NRMSIRs and SID

The Authority has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of and beneficial owners of the Bonds only if the holders comply with the procedures and pay the charges established by such NRMSIRs or SID or obtain the information through securities brokers who have done so.

The Municipal Advisory Council of Texas has been designated by the State as a SID and the SEC has determined that it is a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is (512) 476-6947.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the Authority's duties under federal or state securities laws.

The Authority may amend a continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds of a series consent or any qualified person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds of such series. The Authority may also amend or repeal an agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the Authority may amend an agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent the representative of the Initial Purchasers of the Bonds of such series from the Authority from purchasing such Bonds in the offering described herein in compliance with the Rule. If the Authority amends an agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided. See "APPENDIX D—Summary of Tables and Schedules Related to Continuing Disclosure of Information."

Compliance with Prior Undertakings

In the past five years, the Authority has complied in all material respects with all continuing disclosure obligations made by it in accordance with the Rule.

FINANCIAL STATEMENTS

APPENDIX A to this Official Statement contains the financial statements of the Authority for the fiscal years ended December 31, 2007 and 2006. The financial statements of the Authority as of and for the years ended December 31, 2007 and 2006, included in this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

REGISTRATION, SALE, AND DISTRIBUTION

The Bonds have not been registered under the federal Securities Act of 1933, as amended (in reliance upon an exemption therefrom), or the blue sky laws of any jurisdiction. The Resolution has not been qualified under the federal Trust Indenture Act of 1939, as amended (in reliance upon an exemption therefrom).

UNDERWRITING

The Bonds are being purchased pursuant to a purchase contract (the "Purchase Contract") between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative (the "Representative") of the several underwriters named on the cover page (collectively, the "Underwriters").

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a price of $236,570,051.26, which is the principal amount of the Bonds plus a net premium of $3,224,241.25 and less the Underwriters' discount of $1,284,190.09.

The Purchase Contract provides that the Underwriters will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

RATINGS

The rating agencies of Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned their municipal bond ratings of "Aa1" and "AAA," respectively, to the Bonds as the Authority's underlying rating.

Ratings reflect only the views of the rating companies at the time each rating is assigned, and an explanation of the significance of such ratings may be obtained from such rating agencies. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of the rating companies, if in the sole judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The Authority will undertake no responsibility to notify Bondholders of any such revision or withdrawal of ratings, however, the Authority must comply with the continuing disclosure requirements related to rating changes. See "CONTINUING DISCLOSURE OF INFORMATION—Material Event Notices."

FINANCIAL ADVISOR

In connection with the issuance of the Bonds, First Southwest Company (the "Financial Advisor") has assisted the Authority in the preparation of Bond-related documents. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. An affiliate of the Financial Advisor, First Southwest Asset Management, Inc. ("FSAM"), has been engaged to provide investment advisory services to the Authority, which may include the investment of bond proceeds associated with these Bonds. All fees and other remuneration received by FSAM for the provision of investment advisory services to the Authority are separate and distinct from the fees associated with this Bond issue and are not contingent upon the sale and issuance of the Bonds.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's records and from other sources that are believed to be reliable, including financial records of the Authority, reports of consultants and other entities that may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical are forward-looking statements, including statements regarding expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date thereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the actual results of the Authority could differ materially from those in such forward-looking statements.

The forward-looking statements in this Official Statement are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

All information contained in this Official Statement is subject in all respects to the complete information contained in the original sources thereof. No opinions, estimates or assumptions whether or not expressly identified as such, should be considered statements of fact. Statements made herein regarding the Bonds are qualified in their entirety by reference to the forms thereof included in the Orders and the information with respect thereto included in the Orders.

This Official Statement was approved by the Port Commission.

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APPENDIX A

FINANCIAL STATEMENTS OF THE AUTHORITY

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APPENDIX A

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INDEPENDENT AUDITORS' REPORT

Port Commission
Port of Houston Authority of
Harris County, Texas

We have audited the accompanying statements of net assets of the Port of Houston Authority of Harris County, Texas (the "Authority"), as of December 31, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2007 and 2006, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* on January 1, 2007.

The management's discussion and analysis, schedule of funding progress – Port of Houston Authority Restated Retirement Plan, and schedule of funding progress – Port of Houston Authority Group Health Plan are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLP

June 16, 2008

Member of
Deloitte Touche Tohmatsu

Port of Houston Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(unaudited)

As management of the Port of Houston Authority of Harris County, Texas ("Authority") we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2007 and December 31, 2006. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The net assets of the Authority at December 31, 2007 were $853,993. Of this amount, $144,588 are considered unrestricted net assets.
- The Authority's net assets increased by $40,816 for the fiscal year ended December 31, 2007.
- The Authority's total assets increased by $119,572 during the fiscal year ended December 31, 2007. The major component in this increase was the increase in capital assets of $156,610 offset by a decrease in current assets of $5,050, a decrease in non-current assets of $406 and a decrease in restricted assets of $31,582.
- The Authority's total liabilities increased by $78,756 during the fiscal year ended December 31, 2007. The major component in this increase was the addition of $75,691 in long-term debt, net of current maturities, a decrease of $4,479 in current liabilities less current portion of debt and an increase of $7,544 in non-current liabilities
- The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of all Governmental Accounting Standards Board ("GASB") pronouncements.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise the following: 1) statements of net assets, 2) statements of revenues, expenses, and changes in net assets, 3) statements of cash flows, and 4) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

The basic financial statements include not only the Port of Houston Authority (known as the primary government), but also two legally separate blended component units, Port Development Corporation ("PDC") and Port of Houston Authority International Corporation ("POHAIC"). Financial information for these component units is reported in conjunction with the primary government.

Since the Authority follows enterprise fund accounting and reporting requirements, there are statements of cash flows included as part of the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees which can be found immediately after these notes. Also on this page is the Schedule of funding progress for the Authority's OPEB obligation.

Financial Analysis

By far, the largest portion of the Authority's net assets (79%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets, and excluding any remaining debt proceeds that are still outstanding. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (17%) may be used to meet the Authority's ongoing obligations to employees and creditors.

Port of Houston Authority Condensed Statements of Net Assets

	2007	2006	2005
Current and other assets	**$290,331**	**$327,369**	$404,209
Capital assets	**1,132,705**	**976,095**	761,655
Total assets	**1,423,036**	**1,303,464**	1,165,864
Long-term liabilities	**487,477**	**404,242**	365,684
Other liabilities	**81,566**	**86,045**	49,746
Total liabilities	**569,043**	**490,287**	415,430
Invested in capital assets, net of related debt	**676,785**	**615,169**	476,709
Restricted net assets	**32,620**	**52,772**	56,306
Unrestricted net assets	**144,588**	**145,236**	217,419
Total net assets	**$853,993**	**$813,177**	$750,434

The Authority's net assets increased by $40,816 during the fiscal year ended December 31, 2007. During fiscal year 2007, net assets invested in capital assets net of related debt increased $61,616 with an increase in capital assets of $156,610 plus an increase in outstanding debt net of unspent proceeds of $94,994. During fiscal year 2007, restricted net assets decreased $20,152 as a result of the use of restricted proceeds for construction. Unrestricted net assets decreased $648

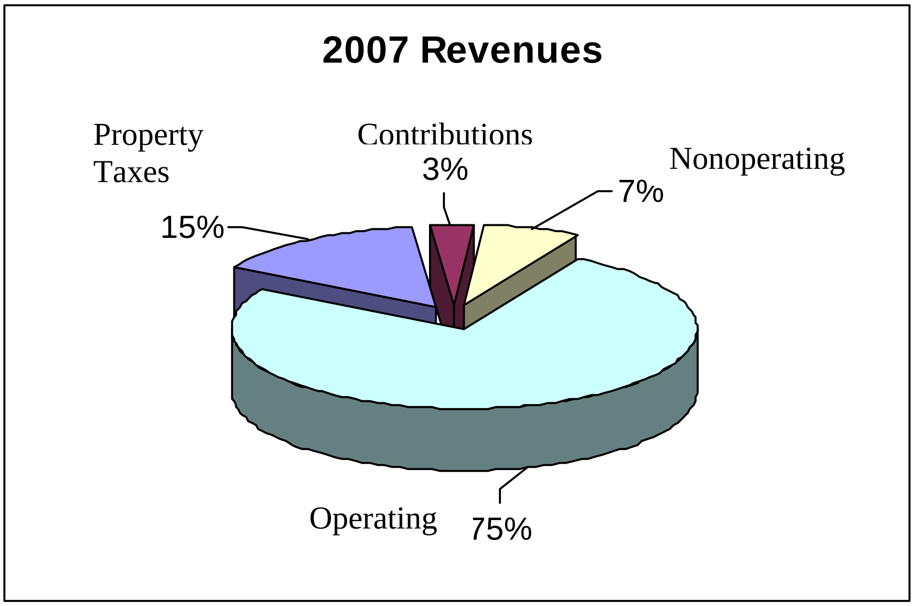
The Authority's net assets increased by $62,743 during the fiscal year ended December 31, 2006. During fiscal year 2006, net assets invested in capital assets net of related debt increased $138,460 with an increase in capital assets of $214,440 and a reduction in outstanding debt net of unspent proceeds of $75,980. During fiscal year 2006, restricted net assets decreased $3,534. The remainder of the increase in net assets of $17,518 is unrestricted.

Key elements of this increase are identified in the following schedule of Changes in Net Assets and related explanations.

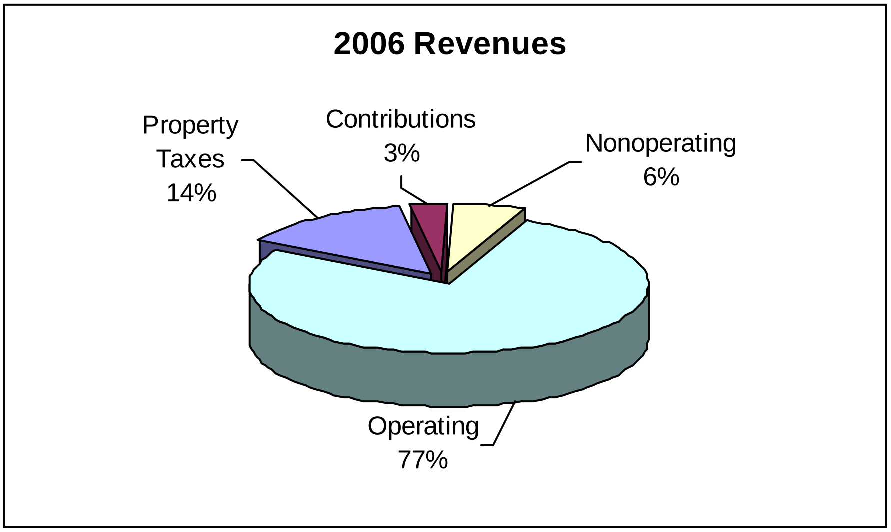
Port of Houston Authority
Changes in Net Assets
(in thousands)

	2007	2006	2005
Operating revenues:			
Vessel and cargo services	**$ 164,595**	$ 143,550	$ 132,283
Rental of equipment & facilities	**18,872**	18,103	17,473
Grain elevator	**809**	717	590
Bulk materials	**2,903**	3,221	2,568
Other	**3,679**	2,072	2,454
Nonoperating revenues:			
Investment income	**10,019**	11,606	7,478
Other	**6,734**	1,060	5,718
Nonoperating revenues related to property taxes:			
Property taxes	**35,819**	29,454	29,568
Interest income on unlimited tax bonds	**2,045**	2,077	1,432
Total Revenues	**245,475**	211,860	199,564
Operating expenses:			
Maintenance and operation of facilities	**98,343**	80,809	74,901
General and administrative	**40,063**	29,527	28,656
Depreciation and amortization	**34,161**	28,436	25,383
Nonoperating expenses-			
Interest expense on revenue bonds	**0**	176	328
Contribution to federal and state agency	**29,017**	5,457	8,400
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	**10,124**	10,775	9,580
Property tax expense	**480**	67	148
Other, net	**357**	360	369
Total Expenses	**212,545**	155,607	147,765
Income before contributions	**32,930**	56,253	51,799
Contributions from federal and state agency	**7,886**	6,490	7,736
Net Income	**40,816**	62,743	59,535
Net assets, January 1	**813,177**	750,434	690,899
Net assets, December 31	**$853,993**	$813,177	$750,434

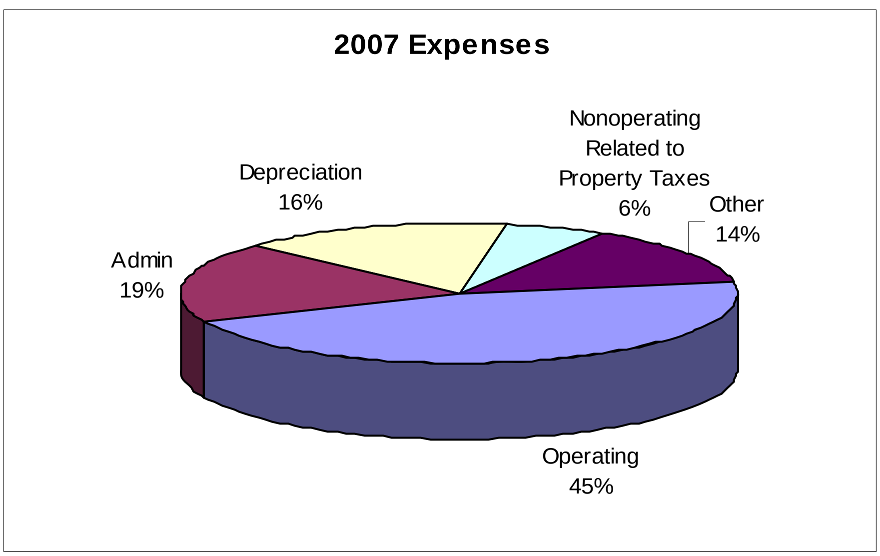
Vessel and cargo services revenues increased 14.7% in 2007 to $164,595. Tariffs were increased in 2007 over 2006 an average of 5%. Tariffs for steel increased to $1.80 per short ton, which was a $.05 per short ton increase from 2006. Volumes increased in bulk materials handling plant (9%), bulk grain (9%), and container TEU's (10%). Total Authority tonnage of 40.4 million tons remained steady from 2006. Nonoperating revenues' investment income in 2007 decreased $1.6 million due to investments maturing and utilized to increase capital assets. Nonoperating revenues related to property taxes in 2007 increased approximately $6.3 million. This was due primarily to an increase in the property tax rate in 2007.



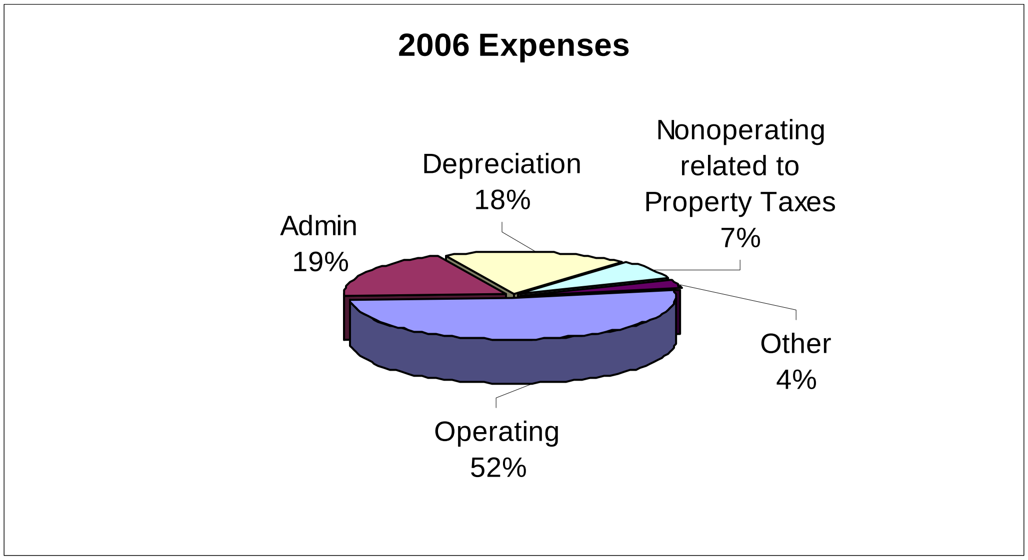
Vessel and cargo services revenues increased 8.5% in 2006 to $143,550. Tariffs were increased in 2006 over 2005 an average of 3%. Tariffs for steel increased to $1.75 per short ton, which was a $.05 per short ton increase from 2005. Volumes increased in bulk materials handling plant (28%), bulk grain (21%), steel imports (100%), and container TEU's (1%). Total Authority tonnage of 40.4 million tons increased 16% from 2005. Nonoperating revenues investment income in 2006 increased $4.1 million due to increased market rates over 2005. Nonoperating revenues related to property taxes in 2006 decreased approximately $.6 million. This was due primarily to a decrease in the property tax rate in 2006.



Maintenance and operation of facilities expenses increased by $17.5 million (21.7%) from 2006. The majority of the increase was made up of the following: a) increases in salaries and benefits of $5.2 million; and b) increase in maintenance of buildings, machinery and equipment, materials and supplies of $3.0 million and (c) increases in utilities of $3.0 million and d) increase of $6.3 million due to OPEB obligation. General and administrative expenses increased by $10.5 million (35.7%) from 2006. The majority of the increase was made up of the following: a) increase in salaries and benefits of $2.8 million; b) increase in legal and professional fees of $3.2 million; c) an increase of $1.6 million in Economic Development Support; d) recognition of $3.3 million in OPEB obligations; and e) a decrease of $.4 million in other expenses. Depreciation and amortization increased $5.7 million.



Maintenance and operation of facilities expenses increased by $5.9 million (8%) from 2006. The majority of the increase was made up of the following: a) increases in salaries and benefits of $1.5 million; b) increase in maintenance of buildings, machinery and equipment, materials and supplies of $5.0 million; (c) increases in insurance of $1.1 million and (d) decrease in other expenses of $1.7 million. General and administration expenses increased $.9 million with the majority of the increase due to an increase in salaries and benefits. Depreciation and amortization increased $3.1 million.



Capital Asset and Debt Administration

Capital assets: The Authority's investment in capital assets as of December 31, 2007, amounts to $1,132.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, railroads, machinery and equipment, and construction-in-progress. The total increase in the Authority's investment in capital assets for the current fiscal year was 16.0%.

Major capital asset events during 2007 included the following:

- Land and Channel Improvements increased by $34.0 million due primarily to the creation of additional dredge disposal site capacity along the Houston Ship Channel and Land improvements due to Bayport Terminal.
- Buildings increased $5.8 million due primarily to construction of Bayport.
- Machinery & equipment net additions totaled approximately $61.9 million in 2007 of which there were $62.1 million in additions offset by the retirement of $.2 million. The additions primarily consisted of the purchase of RTG cranes for Bayport Terminal for $25.8 million, dockside electric cranes for Bayport Terminal for $28.0 million and other machinery and equipment totaling $8.1 million.
- Improvements other than buildings increased $219.4 million primarily due to Marine Terminal gate at Bayport for $30.9 million, Phase 1A of Bayport Container Terminal

Wharves for $117.0 million, Cruise Terminal Wharf at Bayport for $42.3 million, replacement of fender system at Wharf 16 for $1.6 million, C1-C4 Return Road for $3.1 million, lift station at Bayport for $1.8 million, relocation of the main gate at Turning Basin $1.7 million, slope failure at Manchester $1.8 million, and additional improvements other than buildings of $19.2 million.

- Railroads increased $1.0 million.
- Capitalized interest (net of capitalized income) totaling $7.8 million was added to the cost of assets for 2007.
- Construction-in-progress decreased $133.2 million in 2007. This included additions of $218.0 million and offset by transfers to other capital asset classes of $351.2 million and due primarily to the construction of various projects at the Bayport Terminal.
- Accumulated depreciation had an increase of $32.2 million net of retirements in 2007.

The Authority's investment in capital assets as of December 31, 2006, amounts to $976.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, railroads, machinery and equipment, and construction-in-progress. The total increase in the Authority's investment in capital assets for the current fiscal year was 28%.

Major capital asset events during 2006 included the following:

- Land and Channel Improvements increased by $18.1 million due primarily to the creation of additional dredge disposal site capacity.
- Buildings increased $2.2 million due primarily to construction of Bayport Terminal.
- Machinery & equipment net additions totaled approximately $10.8 million in 2006 of which $18.2 million in additions offset by the retirement of $6.4 million due to the cancellation of the Galveston lease and $1.0 million of other retirements. The additions consisted of security related systems of $13.8 million, the purchase of vehicles, heavy machinery, chassis and crane equipment of $3.6 million and other machinery and equipment totaling $.8 million.
- Improvements other than buildings increased $5.9 million primarily due to pavement for concrete replacement at BCT for $1.0 million, inspection ramp pavement at Terminal 3 for $.9 million, bulkhead replacement for wharf 13 at Turning Basin for $1.4 million and various security fencing and lighting for $2.6 million.
- Capitalized interest (net of capitalized income) totaling $4.4 million was added to the cost of assets for 2006.
- Construction-in-progress increased $198.7 million in 2006 due primarily to the construction on various projects at the Bayport Terminal.
- Accumulated depreciation increased $26.9 million in 2006 net of retirements ($5.5 million).

PORT OF HOUSTON AUTHORITY Capital Assets
(net of depreciation)

	2007	2006	2005
Land and Channel Improvements	**$298,900**	$264,937	$246,861
Buildings	**23,799**	20,057	19,930
Improvements other than buildings	**380,712**	176,886	182,987
Railroads	**30,885**	31,130	32,294
Machinery and equipment	**123,098**	74,578	69,817
Construction-in-progress	**275,311**	408,507	209,766
	$1,132,705	$976,095	$761,655

Additional information on the Authority's capital assets can be found in Note 5.

Long-term debt: At the end of 2007, the Authority had total long-term debt outstanding of $464.4 million (net of deferred amounts). Of this amount, $350.9 million was Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (referred to as General Obligation Bonds) and whose debt service is paid from ad valorem taxes levied and collected by Harris County Tax Assessor and Collector. The remainder consists of $113.5 million of Commercial Paper.

At the end of 2006, the Authority had total long-term debt outstanding of $388.6 million (net of deferred amounts). Of this amount, $366.9 million was Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (referred to as General Obligation Bonds) and whose debt service is paid from ad valorem taxes levied and collected by Harris County Tax Assessor and Collector. The remainder consists of $21.7 million of Commercial Paper.

Outstanding Debt
General Obligation, Revenue Bonds and Commercial Paper
(net of deferred amounts)
(in millions)

	2007	2006	2005
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	**$139.3**	$146.3	$184.5
Unlimited Tax Refunding Bonds	**211.6**	220.6	138.4
Total General Obligation Bonds	**350.9**	366.9	322.9
Commercial Paper	**113.5**	21.7	21.0
Revenue Bonds	**0.0**	0.0	4.4
Total Long-Term Debt	**464.4**	388.6	348.3
Less Current Maturities	**(129.1)**	(37.2)	(41.2)
Long-Term Debt (net of deferred amounts)	**$335.3**	$351.4	$307.1

The Authority's total long-term debt increased $75.8 million during the current fiscal year. The key factors in this increase were the sale of $91.8 million in commercial paper offset by $16.0 million in debt service payments.

There were no bonds issued in 2007 by the Authority.

During 2006, the Authority issued $84.6 million of unlimited tax refunding bonds and used the proceeds, net of issuance cost, to establish an irrevocable escrow trust to provide for all future debt service requirement on the outstanding tax bonds Series 1996 that were refunded in July 2006 for $28.6 million. As a result, the Series 1996 are considered to be defeased and the liability for such bonds have been removed from the financial statements of the Authority in 2006. The Authority reduced its aggregate debt service payments by approximately $13.2 million over the next twenty years. In addition, the Authority termed out $58.2 million in commercial paper.

In July 2006, Fitch Ratings and Standard & Poor's upgraded their ratings on Authority general obligation bonds Series 2006A from AA+ to AAA. In October 2006, Fitch Ratings and Standard & Poor's upgraded their ratings on Authority general obligation bonds Series 2006B and 2006C from AA+ to AAA.

Additional information on the Authority's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budget and Rates

- Inflationary trend increases were higher in the all cities index (increase of 4.1%).
- Due to the overall market conditions, the total number of ships calling on Authority docks increased in 2007 (3,599) versus 2006 (3,511).
- The container ships that did call at the Authority's docks carried more tons in 2007 (16,425) versus 2006 (16,111).

All of the above factors were considered in preparing the Authority's budget for the 2008 fiscal year. The Authority increased tariffs an average of 3% effective January 2008 and this is estimated to increase operating revenues for 2008.

Requests for Information

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the Controller, Port of Houston Authority, 111 East Loop North, Houston, Texas 77029.

Port of Houston Authority
Statements of Net Assets
For the Years Ended December 31, 2007 and 2006
(in thousands)

	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	**$133,340**	$116,728
Investments	**60,408**	87,439
Receivables (net of allowance for uncollectibles)	**28,215**	23,540
Restricted assets:		
Cash and cash equivalents	**21,710**	38,467
Property tax receivables	**28,918**	25,767
Investments	**11,399**	29,375
Inventories	**278**	243
Prepaids	**2,639**	1,980
Total Current Assets	**286,907**	323,539
NonCurrent Assets		
Deferred charges	**3,424**	3,830
Capital Assets (net of accumulated depreciation):		
Land and Channel Iimprovements	**298,900**	264,937
Buildings	**23,799**	20,057
Improvements other than buildings	**380,712**	176,886
Railroads	**30,885**	31,130
Machinery and equipment	**123,098**	74,578
Construction-in-progress	**275,311**	408,507
Total Capital Assets	**1,132,705**	976,095
Total Noncurrent assets	**1,136,129**	979,925
Total Assets	**1,423,036**	1,303,464
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	**56,822**	64,731
Deferred revenue	**3,806**	8,248
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Commercial Paper	**113,478**	21,744
Unlimited tax bonds	**15,580**	15,470
Accrued interest payable		
Unlimited tax bonds	**4,728**	4,388
Contracts payable and accrued liabilities	**16,210**	8,678
Total current liabilities payable from restricted assets	**149,996**	50,280
Total Current Liabilities	**210,624**	123,259
NonCurrent Liabilities		
Long-term debt, net of current maturities	**335,330**	351,483
Other noncurrent liabilities		
Due in more than one year	**23,089**	15,545
Total NonCurrent Liabilities	**358,419**	367,028
Total liabilities	**569,043**	490,287
Net Assets		
Invested in capital assets, net of related debt	**676,785**	615,169
Restricted for:		
Capital	**3,846**	24,863
Debt Service	**28,774**	27,909
Unrestricted	**144,588**	145,236
Total net assets	**$853,993**	$813,177

See notes to the financial statements

Port of Houston Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006
(in thousands)

	2007	2006
Operating revenues:		
Vessel and cargo services	**$164,595**	$143,550
Rental of equipment and facilities	**18,872**	18,103
Grain elevator	**809**	717
Bulk materials	**2,903**	3,221
Other	**3,679**	2,072
Total	**190,858**	167,663
Operating expenses:		
Maintenance and operation of facilities	**98,343**	80,809
General and administrative	**40,063**	29,527
Depreciation and amortization	**34,161**	28,436
Total	**172,567**	138,772
Operating income	**18,291**	28,891
Nonoperating revenues (expenses):		
Investment income	**10,019**	11,606
Interest expense on bonds	**0**	(176)
Contribution to federal and state agencies	**(29,017)**	(5,457)
Recognition of deferred revenue	**5,000**	0
Other, net	**1,734**	1,060
Total	**(12,264)**	7,033
Income before nonoperating revenues (expenses) related to property taxes	**6,027**	35,924
Nonoperating revenues (expenses) related to property taxes:		
Property taxes	**35,819**	29,454
Investment income on unlimited tax bonds proceeds	**2,045**	2,077
Interest expense on unlimited tax bonds	**(10,124)**	(10,775)
Property tax expense	**(480)**	(67)
Other, net	**(357)**	(360)
Total	**26,903**	20,329
Income before contributions	**32,930**	56,253
Contribution from federal and state agencies	**7,886**	6,490
Net income	**40,816**	62,743
Net assets, January 1	**813,177**	750,434
Net assets, December 31	**$853,993**	$813,177

See notes to the financial statements

Port of Houston Authority of Harris County, Texas
Statements of Cash Flows
For the years ended December 31, 2007 and 2006
(in thousands)

	2007	2006
Cash Flows from operating activities		
Cash received from customers	**$189,552**	$168,797
Cash paid to suppliers for goods and services	**(67,490)**	(53,578)
Cash paid to employees for services	**(32,057)**	(32,565)
Cash paid for employee benefits	**(28,280)**	(25,691)
Cash from other services	**641**	105
Cash paid for other purposes	**(33)**	516
Net cash provided by operating activities	**62,333**	57,584
Cash flows from noncapital financing activities		
Repayment of advances from developer	**(2,323)**	(209)
Property taxes received	**32,691**	30,816
Property tax collection expenses paid	**(943)**	(964)
Net cash provided by noncapital financing activities	**29,425**	29,643
Cash flows from capital and related financing activities		
Contributions received from state and federal agencies	**6,134**	1,903
Contributions paid to others	**(6,829)**	0
Proceeds from issuance of long-term debt	**91,734**	60,505
Issuance costs of long-term debt	**0**	(335)
Repayment of long-term debt and funding of escrow	**(15,470)**	(20,592)
Interest on long-term debt	**(19,613)**	(14,061)
Acquisition and construction of capital assets	**(207,199)**	(200,465)
Proceeds from retirement of assets	**467**	482
Net cash used in capital financing activities	**(150,776)**	(172,563)
Cash flows from investing activities		
Purchase of investments	**(201,344)**	(293,708)
Proceeds from maturities of investments	**250,750**	312,418
Interest on investments	**9,467**	7,228
Net cash provided by investing activities	**58,873**	25,938
Net (decrease)/increase in cash and cash equivalents	**(145)**	(59,398)
Cash and cash equivalents, January 1	**155,195**	214,593
Cash and cash equivalents, December 31	**$155,050**	$155,195
Current cash and cash equivalents	**$133,340**	$116,728
Restricted cash and cash equivalents	**$21,710**	$38,467

Port of Houston Authority of Harris County, Texas
Statements of Cash Flows - continued
For the years ended December 31, 2007 and 2006
(in thousands)

	2007	2006
Reconciliation of operating income to		
net cash provided by operating activities		
Operating income	**$18,291**	$28,891
Adjustments to reconcile operating income to		
Net cash provided by operating activities		
Depreciation and amortization	**34,161**	28,436
Provision for doubtful accounts	**120**	29
Miscellaneous nonoperating income (expense), net	**5,922**	941
Change in assets and liabilities		
(Decrease)/increase in trade and other receivables	**(2,721)**	790
Decrease in prepaids	**(2,582)**	(154)
Decrease in inventories	**(35)**	(14)
Increase in accounts payable and accrued liabilities	**13,020**	1,446
Increase in accrued vacation and sick leave	**310**	395
Decrease in deferred revenue	**(4,153)**	(3,176)
Net cash provided by operating activities	**$62,333**	$57,584
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	**28**	317
Contributions to others	**22,188**	0

1. Summary of Significant Accounting Policies

Reporting Entity

The Port of Houston Authority of Harris County, Texas ("Authority") is an independent political subdivision created under the constitution of the state of Texas. The Port Commission, composed of seven commissioners, governs the Authority. Harris County, Texas ("County") and the City of Houston, Texas ("City of Houston") each appoint two commissioners to the Port Commission and jointly appoint the chairman. The City of Pasadena, Texas ("City of Pasadena") and the Harris County Mayors and Councils Association ("Association"), representing 26 cities, each appoint one commissioner. Under state law, the County auditor serves as the auditor of the Authority and the County treasurer serves as the Treasurer of the Authority. The Authority is not a component unit of the County, the City of Houston, the City of Pasadena or the Association since none of these entities exercise financial accountability over the Authority. The Authority is considered a primary government entity since it satisfies all of the following criteria: (a) no entity appoints a voting majority of its governing body; (b) it is legally separate from other entities; and (c) it is fiscally independent of other state and local governments.

The financial statements of the Authority include all operations and activities of the Authority and its blended component units for which the Port Commission has financial accountability as defined above. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Units

The Port Development Corporation ("PDC") was organized by the Authority under the State of Texas Development Corporation Act of 1979. PDC is a nonprofit corporation that issues industrial development revenue bonds to promote and develop commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare. The issuance of any such bonds is approved by the Board of Directors (the "Board") of PDC and the Texas Economic Development Commission ("TEDC"). Net earnings of PDC may be distributed to the Authority by action of the Board or upon dissolution of PDC. PDC is considered a blended component unit of the Authority as the governing boards of the Authority and PDC are substantially the same, and the Authority is able to impose its will on PDC, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity."

The Port of Houston Authority International Corporation ("POHAIC"), was organized during the fiscal year 2002 for the purpose of aiding, assisting and acting on behalf of the Authority in the performance of its governmental functions to promote the common good and general welfare of the Authority by providing consulting services to international port authorities and private businesses, including, but not limited to, terminal operators, engineering firms and construction companies, in the areas, among others, of trade development, administration, facilities, land, equipment, operations, security/protection and general management and to promote, develop, encourage and maintain employment, commerce and economic development in the Authority. POHAIC is considered a blended component unit of the Authority under the provisions of GASB Statement No. 14 as the Authority (1) appoints a voting majority of POHAIC's board, (2) is able to impose its will on POHAIC and (3) the board of the Authority and POHAIC are substantially the same.

Basis of Accounting

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of all GASB pronouncements as well as the Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal revenues of the Authority are charges to customers for sales and services. The Authority also recognizes revenue in the form of rents and consulting fees. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

All cash and highly liquid time deposits and short-term investments with original maturities of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with maturities over three months are considered time deposits.

Investments

All investments are recorded at fair value based upon quoted market prices with the difference between the purchase price and market price being recorded as investment income. For disclosure of custodial risk for all investments see Note 2.

Trade Receivables

All trade receivables are shown net of an allowance for uncollectible accounts. Allowances are calculated utilizing a two-part formula. An average of the last five years' bad debt write-offs is calculated. Since this number is usually small, substantially all of the accounts in excess of one year are added to derive an allowance that, in the opinion of management, is reasonable.

Inventory

Inventory consists of materials and supplies and is stated at cost, determined on an average cost method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Deferred Dredging

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority's wharves and of certain ship channels not maintained by the federal government is capitalized in deferred charges and amortized over three to four years. Amortization for 2007 amounted to $1.8 million and is included in depreciation and amortization in the Statement of Revenues, Expenses and Changes in Net Assets.

Property Taxes

Property taxes (net of collection expenses) are used to pay debt service of the unlimited tax bonds. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are levied September 1 for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Harris County bills and collects property taxes of the Authority for a fee and remits collections to the Authority. Property tax collection expenses incurred by the Authority for the years ended December 31, 2007 and 2006 were $587.

The tax rates levied for the years ended December 31, 2007 and 2006 were $.01437 and $.01302, respectively, per $100 assessed valuation.

(in thousands)

Restricted Assets

Unspent net proceeds for unlimited tax improvement bonds and proceeds available from taxes receivable are classified as restricted assets because their use is limited by applicable bond covenants.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5 and an estimated useful life of one year or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. The Authority capitalizes, as a cost of its constructed assets, the interest expense of related borrowings less the interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing. Capitalized interest increased the cost of assets constructed by the Authority by approximately $7,842 and $4,418 in 2007 and 2006, respectively.

Depreciation is computed using the straight-line method over the following useful lives:

Railroads	25-40 years
Buildings	20-40 years
Improvements other than buildings	20-50 years
Machinery and equipment	3-20 years

Premiums (Discounts) on Bonds Payable and Issuance Costs

Issuance costs, premiums and discounts are amortized using the interest cost basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Vacation and Sick Leave

Employees earn vacation at rates of 10 to 25 days per year and may accumulate a maximum of 20 to 50 days, depending on their length of employment. Upon termination, employees are paid for any unused accumulated vacation days at their current pay rate. Employees earn sick leave at the rate of 12 days per year. Upon termination or retirement, employees are paid for any unused sick leave days at their current pay rate up to a maximum of 60 days. With sufficient accruals, employees are allowed to receive payments at year-end of up to a maximum of 12 days of their unused sick leave, limited to $.225 per day or $2.7 for 96 hours.

New Accounting Pronouncements

GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” was issued July 2004. This statement addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits (OPEB). The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. This statement is effective for the year ended December 31, 2007 with prospective application. The effect of implementing this standard is discussed in Note 10.

In September 2006, GASB issued Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.” This statement establishes criteria that governments will use to ascertain whether the proceeds received in a transaction transferring receivables should be reported as revenue or as a liability. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2006. Management of the Authority has determined that there is no impact, at this time, upon its financial position, results of operations or cash flows upon adoption.

In November 2006, GASB issued Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2007 with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2007, GASB issued Statement No. 50, “Pension Disclosures.” This statement requires disclosure in the notes to the financial statements of a) the current funded status of the plan, b) governments that use the aggregate actuarial cost method to disclose the funded status and present a multi-year schedule of funding progress using the entry age actuarial cost method as a surrogate and c) disclosure by governments participating in multi-employer cost-sharing pension plans of how the contractually required contribution is determined. The provisions of Statement No. 50 generally are effective for periods beginning after June 15, 2007. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2007, GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated computer software as an intangible assets. The requirements in this Statement improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 and are required to be applied retroactively. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In November 2007, GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Reporting land and other real estate held as investments at fair value enhances user' ability to meaningfully evaluate an entity's investment decisions and performance. This statement is effective for periods beginning after June 15, 2008. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

2. Cash and Investments

The Authority's cash and cash equivalents of $155,050 and $155,195 as of December 31, 2007 and 2006, respectively, are maintained in demand accounts and mutual funds managed by a major fund manager. The bank balance at December 31, 2007 and 2006 was $157,113 and $160,094, respectively, of which the amount on deposit in demand accounts is fully covered by the federal deposit insurance through the FDIC or collateralized with securities held by the Authority's depository institution in joint safekeeping at the Federal Reserve Bank of Chicago in the Authority's name. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies and are not subject to categorization in accordance with GASB Statement No. 3, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

In accordance with authorized state statutes, the Authority invests in fully collateralized or insured time deposits, direct debt securities of the United States or its agencies, commercial paper, money market mutual funds, collateralized mortgage obligations, the underlying security for which is guaranteed by an agency of the United States, and fully collateralized repurchase agreements. Repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transactions be held in a safekeeping account subject to the control and custody of the Authority. Investments in security repurchase agreements may be made only with the Authority's depository bank or with state or national banks domiciled in the state of Texas. The Authority did not invest in repurchase agreements during 2007 or 2006.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosures," The Authority's financial statements are required to address credit risk, concentration of credit risk, interest rate risk and foreign currency risk of investments.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Authority's Statement of Investment Policy does not allow any fixed income securities below the investment grade of BAA. U. S. Agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Commercial Paper is rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service.

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in one issue. More than 5% of the Authority's investments at December 31, 2007 are in FHLMC DISC notes (9.0%), FNMA DISC notes (15.0%), American General Finance Corp (AGFC) CP (14.9%), General Electric CP (20.7%), American International Group (AIG) CP (16.5%), and Toyota Motor Credit Corp (TMCC) CP (23.9%).

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Authority's investments. The Authority's fixed income accounts are managed by the Harris County Financial Services Department and monitored monthly for compliance with the Authority's investment policy which limits the overall investment portfolio's weighted average maturity to 2.5 years maximum.

(in thousands)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2007.

Security Type	Ratings	Fair Value	Weighted Average Maturity (years)
Agency Securities:			
FHLMC DISC	AAA/Aaa	$6,438	0.0143
FNMA DISC	AAA/Aaa	4,892	0.0016
FNMA DISC	AAA/Aaa	776	0.0002
FNMA DISCe	AAA/Aaa	5,122	0.0073
Total		**17,228**	**0.0234**
Commercial Paper:			
AGFC CP	A-1+/P-1	10,676	0.0247
AIG CP	A-1+/P-1	11,903	0.0191
General Electric CP	A-1+/P-1	2,801	0.0138
General Electric CP	A-1+/P-1	5,333	0.0321
General Electric CP	A-1+/P-1	6,728	0.0415
TMCC CP	A-1+/P-1	8,630	0.0017
TMCC CP	A-1+/P-1	3,695	0.0267
TMCC CP	A-1+/P-1	4,813	0.0425
Total		**54,579**	**0.2021**
Total Fair Value		**$71,807**	
Portfolio Weighted Average Maturity			**0.1593**

(in thousands)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2006.

Security Type	Ratings	Fair Value	Weighted Average Maturity (years)
Agency Securities:			
FHLB Note	AAA/Aaa	$2,271	0.0038
FHLB Note	AAA/Aaa	10,019	0.0345
FHLB Note	AAA/Aaa	15,098	0.1091
FHLMC Note	AAA/Aaa	5,743	0.0171
FHLMC Note	AAA/Aaa	4,574	0.0297
FHLB Disc	AAA/Aaa	3,511	0.0013
FHLMC DISC	AAA/Aaa	6,671	0.0022
FHLMC DISC	AAA/Aaa	4,770	0.0016
FHLMC DISC	AAA/Aaa	4,644	0.0027
FHLMC DISC	AAA/Aaa	11,329	0.0152
FNMA DISC	AAA/Aaa	737	0.0004
FNMA DISC	AAA/Aaa	6,111	0.0058
Total		**75,478**	**0.2233**
Commercial Paper:			
AGFC CP	A-1+/P-1	5,958	0.0324
TMCC CP	A-1+/P-1	2,209	0.0010
TMCC CP	A-1+/P-1	3,900	0.0010
TMCC CP	A-1+/P-1	10,118	0.0449
General Electric CP	A-1+/P-1	2,656	0.0076
General Electric CP	A-1+/P-1	6,381	0.0169
General Electric CP	A-1+/P-1	10,114	0.0945
Total		**41,336**	**0.2082**
Total Fair Value		**$116,814**	
Portfolio Weighted Average Maturity			**0.2180**

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of December 31, 2007 there was no foreign currency risk.

(in thousands)

3. Receivables

Receivables as of year end including the applicable allowances for uncollectible accounts are as follows:

Trade receivables, net:	**2007**	**2006**
Trade accounts	$24,418	$21,780
Damage claims	434	490
Less allowance for doubtful accounts	(1,334)	(1,274)
Trade accounts, net	23,518	20,996
Other receivables:		
Accrued interest	0	378
Due from federal/state agency	3,612	1,861
Other	1,085	305
Total other receivables	4,697	2,544
Total receivables, net	$28,215	$23,540

4. Sale of World Trade Building

In January 1999 the World Trade Building was sold by the Authority to Paladio Development Ltd, a Texas limited partnership, with Paladio Management Inc., a Texas corporation as the sole general partner, for the sum of $4,000. The Authority received a down payment of $400 and a promissory note for $3,600 payable in nine equal annual installments of $400 with the first installment due on or before one year from the date of the promissory note. The present value of this note as of December 31, 2007 and 2006 totaled $0 and $379, respectively, all classified as deferred charges. This transaction resulted in a deferred gain of approximately $2,998, which totaled $290 and $579 as of December 31, 2007 and 2006, respectively. This balance will be amortized in equal installments over the life of the promissory note.

(in thousands)

5. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$70,818	$15,090	($56)	$85,852
Channel improvements	194,119	18,934	(5)	213,048
Construction-in-progress	408,507	218,044	(351,240)	275,311
Total capital assets, not being depreciated	673,444	252,068	(351,301)	574,211
Capital assets, being depreciated:				
Buildings	74,180	5,790	0	79,970
Improvements other than buildings	384,246	219,355	0	603,601
Railroads	56,378	958	0	57,336
Machinery and equipment	170,884	62,090	(221)	232,753
Total capital assets, being depreciated	685,688	288,193	(221)	973,660
Less accumulated depreciation for:				
Buildings	(54,123)	(2,048)	0	(56,171)
Improvements other than buildings	(207,360)	(15,529)	0	(222,889)
Railroads	(25,248)	(1,203)	0	(26,451)
Machinery and equipment	(96,306)	(13,570)	221	(109,655)
Total accumulated depreciation	(383,037)	(32,350)	221	(415,166)
Total capital assets, being depreciated, net	302,651	255,843	(0)	558,494
Total capital assets, net	$976,095	$507,911	($351,301)	$1,132,705

(in thousands)

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$69,972	$866	($20)	$70,818
Channel improvements	176,889	17,230	0	194,119
Construction-in-progress	209,766	242,212	(43,471)	408,507
Total capital assets, not being depreciated	456,627	260,308	(43,491)	673,444
Capital assets, being depreciated:				
Buildings	72,021	2,200	(41)	74,180
Improvements other than buildings	378,310	5,936	0	384,246
Railroads	56,302	76	0	56,378
Machinery and equipment	160,078	18,211	(7,405)	170,884
Total capital assets, being depreciated	666,711	26,423	(7,446)	685,688
Less accumulated depreciation for:				
Buildings	(52,091)	(2,084)	52	(54,123)
Improvements other than buildings	(195,323)	(12,037)	0	(207,360)
Railroads	(24,008)	(1,240)	0	(25,248)
Machinery and equipment	(90,261)	(11,455)	5,410	(96,306)
Total accumulated depreciation	(361,683)	(26,816)	5,462	(383,037)
Total capital assets, being depreciated, net	305,028	(393)	(1,984)	302,651
Total capital assets, net	$761,655	$259,915	($45,475)	$976,095

(in thousands)

6. Operating Leases

The Authority leases to others some of its land, buildings and improvements and cargo handling equipment. Cost of the assets under lease totaled $47,758 consisting of $5,576 in buildings, $8,331 in improvements, $1,101 of machinery and equipment and $32,749 of railroads with a total carrying value of $24,760 and current year depreciation of $2,262. As of December 31, 2007 minimum rental payments to be received by the Authority under the operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

2008	$ 10,234
2009	8,391
2010	7,149
2011	6,134
2012	5,166
Thereafter	62,152
Total	$ 99,226

In addition, the Port Terminal Railroad Association ("PTRA") leases certain railroad facilities from the Authority under a ten-year renewable agreement. The agreement provides for a yearly adjustment in rent on August 1, based on the percentage change in the Producer Price Index (all commodities) from the previous August 1. The monthly rental was $127 and $119 for 2007 and 2006, respectively. The Authority invoiced PTRA approximately $1,472 and $1,433 under this agreement in 2007 and 2006, respectively.

On July 21, 2007, a new lease agreement began for the Bulk Plant facilities. The agreement is for ten (10) years, with four (4) five (5) year extensions. The yearly adjustment in rent on July 1 is based on the percentage change in the Producer Price Index (all commodities) from the previous July 14. The monthly rental for 2007 was $233. The Authority invoiced the lessor approximately $1,400 under the agreement in 2007.

(in thousands)

7. Long-Term Debt and NonCurrent Liabilities

Changes in Long-Term Liabilities – 2007

	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**	**Current Portion**	
Bonds Payable						
Commercial Paper	$21,744	$91,734	$0	$113,478	$113,478	
Unlimited Tax Bonds	357,105	0	13,140	343,965	15,580	
Accreted Interest on Unlimited Tax Bonds	2,330	0	2,330	0	0	
Less Deferred Amounts	7,518	0	573	6,945	0	
Total Bonds Payable	$388,697	$91,734	$16,043	$464,388	$129,058	
Other noncurrent liabilities:						
Compensated Absences	$4,864	$3,630	$3,321	$5,173	$315	(1)
Advances from Developer	10,746	0	2,323	8,423	0	
OPEB Obligation	0	12,291	2,707	9,584	0	
Other	224	0	0	224	0	
Total other noncurrent liabilities	$15,834	$15,921	$8,351	$23,404	$315	

(1) Included in accounts payable and current liabilities

(in thousands)

Changes in Long-Term Liabilities – 2006

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Commercial Paper	$21,034	$58,956	$58,246	$21,744	$21,744	
Revenue Bonds	4,355	0	4,355	0	0	
Unlimited Tax Bonds	314,705	84,625	42,225	357,105	13,140	
Accreted Interest on Unlimited Tax Bonds	3,962	593	2,225	2,330	2,330	
Less Deferred Amounts	4,275	3,770	527	7,518	0	
Total Bonds Payable	$348,331	$147,944	$107,578	$388,697	$37,214	
Other noncurrent liabilities:						
Capital Leases	$2,394	$0	$2,394	$0	$0	(1)
Compensated Absences	4,469	3,501	3,106	4,864	289	(1)
Advances from Developer	10,955	1,558	1,767	10,746	0	
Other	226	0	2	224	0	
Total other noncurrent liabilities	$18,044	$5,059	$7,269	$15,834	$289	

(1) Included in accounts payable and current liabilities

Outstanding Long Term Debt

Long - Term debt is summarized as follows (in thousands):

	Original Issue	Interest Rate %	Issue Date	Maturity	December 31 2007	December 31 2006
Commercial Paper:	$113,478	various	various	2008	$113,478	$21,744
General Obligation Bonds:						
Unlimited Tax Refunding Bonds:						
Series 1997	28,000	4.75 - 5.00	10/23/97	2013	9,795	10,880
Series 1999B	6,435	5.00 - 5.25	09/28/99	2009	1,180	1,790
Series 2000B	8,700	4.55 - 5.50	10/15/00	2011	2,900	3,650
Series 2002B	7,060	5.50 - 4.25	12/12/02	2013	3,110	3,670
Series 2004	9,000	3.00 - 5.00	12/08/04	2016	6,550	7,335
Series 2005A	36,665	4.25 - 5.00	09/08/05	2023	36,665	36,665
Series 2005B	62,485	4.125 - 5.00	06/08/05	2023	62,485	62,485
Series 2006A	28,380	5.00	07/19/06	2017	26,005	28,380
Series 2006B	47,085	4.75 – 5.00	10/18/06	2031	47,085	47,085
Series 2006C	9,160	4.00 – 5.00	10/18/06	2031	9,160	9,160
Total Unlimited Tax Refunding Bonds					204,935	211,100
Unamortized Premiums/(Discounts) and Deferred Loss					6,680	7,185
Series 1997 CAB, Accretion, net					0	2,330
Unlimited Tax Refunding Bonds, Net					211,615	220,615
Unlimited Tax Port Improvement Bonds:						
Series 1998A	81,000	3.80 - 5.00	11/17/98	2019	48,600	52,650
Series 2001A	17,000	5.00	11/01/01	2026	14,970	15,465
Series 2001B	70,000	4.00 - 5.00	11/01/01	2026	60,840	62,795
Series 2002A	16,000	3.00 - 5.00	12/12/02	2027	14,620	15,095
Total Unlimited Tax Port Improvement Bonds					139,030	146,005
Unamortized Premiums/(Discounts)					265	333
Unlimited Tax Port Improvement Bonds, Net					139,295	146,338
Total Long Term Debt					464,388	388,697
Less Current Maturities					(129,058)	(37,214)
Long - Term Debt (net of unamortized premium/(discount) and deferred loss					$335,330	$351,483

The Authority periodically issues long term debt for the purpose of improving the facilities of the Authority, improving marine safety, and enhancing environmental protection. At December 31, 2007, the Authority had $123,794 remaining of the $387,000 in authorized but not issued unlimited tax bonds for construction of the Bayport Terminal which was approved by the voters in an election in November 1999. During 2003, the Authority certified that a necessity existed for the issuance of up to $150,000 of the remaining authorized but not issued Unlimited Tax Bonds in the form of commercial paper notes (“Notes”). This was increased to $236,000 during 2007 and is to be utilized for the remainder of the authorized but not issued 1999 unlimited tax bonds. The maturity of the Notes may not exceed 270 days and the maximum interest rate may not exceed 10%. Upon maturity, the Notes will be extinguished with long term debt. The Notes are collateralized by a Letter of Credit that expires on October 3, 2008. As of December 31, 2007, $218,906 in commercial paper has been issued of which $105,428 has been refunded.

(in thousands)

There is no legal debt margin as to the issuance of the unlimited tax bonds.

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2007 are as follows:

	Bond Principal		Bond Interest		
Year Ending December 31	Comm Paper	General Obligation	Comm Paper	General Obligation	Total
2008	$113,478	$15,580	$507	$16,888	$146,453
2009	0	15,600	0	16,125	31,725
2010	0	13,635	0	15,394	29,029
2011	0	12,790	0	14,748	27,538
2012	0	13,775	0	14,138	27,913
2013-2017	0	81,935	0	59,868	141,803
2018-2022	0	116,835	0	36,096	152,931
2023-2027	0	54,815	0	11,773	66,588
2028-2031	0	19,000	0	2,433	21,433
	$113,478	$343,965	$507	$187,463	$645,413

All bonds generally mature serially based on stated maturity dates. However, all bonds may be redeemed prior to their maturities in accordance with provisions of the various bond resolutions at par.

Conduit Debt - Outstanding Industrial Development Revenue Bonds

PDC has issued bonds on behalf of various users to promote industrial development. Each bond issue includes a covenant that indemnifies PDC and the Authority against any and all losses related to the projects funded by the bond. The bonds are payable solely by payments from the users, as defined under the loan agreements, and PDC is under no obligation to repay the bonds from any other source. All payments are made directly by the users to the trustees. The balance of such bonds outstanding was $750 and $750 as of December 31, 2007 and 2006 respectively, according to information received from the trustees. No bond was written off as uncollectible during 2007.

(in thousands)

Revenue Bonds Outstanding

Receiving Entity	Date Issued	Interest Rate	Maturity Date	Amount Issued
Mine Safety Appliances Co.	12/01/83	Variable	01/01/09	$750

Bond Refundings

At various times the Authority defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liabilities for the bonds to be defeased are not included in the Authority's financial statements. The outstanding defeased unlimited tax bonds as of December 31, 2007 and 2006 were $25,800 and $72,320 respectively. The Authority did not refund bonds in 2007.

Bond Restrictions

The bond resolutions require that during the period in which the bonds are outstanding, the Authority must create and maintain certain accounts ("funds") to receive the proceeds from the sale of the bonds, property taxes levied and the net revenues, as defined, derived from the operation of the Authority's facilities. These assets can be used only in accordance with the terms of the bond resolutions to pay the capital costs of enlarging, extending or improving the Authority's facilities or to pay the debt service cost of the related bonds.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. There is no arbitrage liability for tax-exempt debt subject to the Tax Reform Act issued through December 31, 2007. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

8. Bayport Facilities

Certain land and port facilities of the Bayport division were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and interest-free advances (including the interest earnings on the invested portions thereof) from the developer of an adjacent industrial park. The developer also agreed to advance to the Authority amounts necessary to cover maintenance and operating expenses of the Bayport facilities if, and to the extent that, gross revenues from the operations of the Bayport facilities were insufficient. The liability for construction and operating advances amounted to approximately $8,423 and $10,746 at December 31, 2007 and 2006, respectively. All such advances are to be repaid only from net revenues, if any, of the Bayport division earned through the year 2013.

Effective October 27, 1997, the Authority, the developer, and the Bayport operators entered into an Agreement of Compromise and Settlement (the "Agreement") that resolves various legal disputes in connection with the Authority's property at Bayport, including disputes as to reimbursement of the developer for amounts previously advanced. The Agreement provides for an increased user fee (from 22¢ per ton of liquid to 24¢) to be credited to the Bayport reimbursement account through July 31, 2013. All proceeds of this fee will be used for payment of amounts then due upon the Special Purpose Revenue Bonds, Series 1964, for payment of certain of the Authority's operating expenses relating to Bayport, and for the repayment of amounts advanced to the Authority by the developer. The Agreement limits repayments to the developer to the sum of $21,500 (plus any additional advances made by the developer, none through December 31, 2007) and also provides that all repayment obligations of the Authority to the developer shall terminate on July 13, 2013. The Agreement provided for the payment of $2,232 by the Authority to the developer in exchange for the developer's final release of all of the developer's rights concerning the Authority's property at Bayport. The Agreement contains various other provisions, including provisions addressing allocation of maintenance costs for the Bayport Channel and Turning Basin among the Authority, the developer and Private Operators at Bayport. The Agreement supersedes all prior agreements between the Authority and developer and was contingent upon the U.S. Corps of Engineers' approval of offshore disposal of Bayport dredge material. Such approval was received in October of 1998.

The Authority recorded $19,900 in advances from the developer at the time the new agreement was signed and recorded an additional $1,600 in possible repayments during 2003 since at that time it was determined that future net revenues would be sufficient to pay all of the existing advances. The repayments during the years ended December 31, 2007 and 2006 were approximately $2,150 and $1,767, respectively.

9. Retirement Plan

Plan Description

The Port of Houston Authority Restated Retirement Plan ("Plan") is a single-employer noncontributory defined benefit retirement plan covering all permanent, full-time employees after the completion of one year of employment. The Authority's Port Commission, the Pension Committee and Melanie Sherman, the plan administrator, control and manage the operation and administration of the Plan. Compass Bank (the Trustee") serves as the trustee of the Plan. The Plan issues a stand-alone financial report that may be obtained by requesting such report from the Port of Houston Authority of Harris County, P.O. Box 2562, Houston, TX 77252, Attention: Controller. Employees vest in the Plan after five years of continuous service with the Authority. The Authority's payroll for employees covered by the Plan for the plan years ended July 31, 2007 and 2006 was $28,621 (78% of the total payroll of $36,700) and $26,286 (79% of total payroll of $33,169), respectively.

Employees become participants in the plan after completion of one year of employment and become fully vested after five (5) years. Vested employees are eligible to receive a normal pension benefit if they retire on the Normal Retirement date at age 65. This Normal Retirement Benefit is payable monthly for a minimum of five years certain (other options are available) and for life thereafter. It is an amount equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years. The plan provides for Early Retirement upon completion of 30 years or more of vesting service, attainment of age 62, or when the sum of the employee's age and years of service equals 85 or more and the employee has attained the age of 55 or more. Late Retirement commences when an employee works beyond the Normal Retirement Date. Benefits are adjusted accordingly for both Early Retirement and Late Retirement. The plan also provides for disability and death benefits. Terminated employees, other than for retirement, disability or death, will receive a pension benefit when that former employee reaches the Normal Retirement date.

Actuarially Determined Contribution Requirements and Contributions Made

The Authority's funding policy provides for actuarially determined annual contributions, which include the normal cost and amortization of the unfounded frozen actuarial accrued liability.

(in thousands)

Actuarial Valuation Method

Actuarial Valuation Date	08/01/07	08/01/06	08/01/05
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Period in Years	30	30	30
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions:			
Investment Return	7.5%	7.5%	7.5%
Projected Salary Increases	3.0% - 8.0%	3.0% - 8.0%	3.0% - 8.0%
Inflation	3.5%	3.5%	3.5%
Cost of Living Adjustment	None	None	None

The required contributions to the Plan, including payments of the unfunded actuarial accrued liability, are actuarially determined as if the Authority were subject to Sections 412 and 404 of the Internal Revenue Code, even though the Authority is not subject to these rules.

Components of the unfunded actuarial liability are amortized as level dollar amounts using the closed basis. Components consisting of actuarial gains and losses are amortized over five years. Components consisting of amendments are amortized over 30 years, except the 8/95 amendment that is amortized over 5 years. Components consisting of revised assumptions are amortized over ten years. Components consisting of revised actuarial methods are amortized over 30 years. The resulting equivalent single amortization base is amortized over a maximum of 30 years.

(in thousands)

Plan Statistics

For Plan Years July 31, 2007, 2006, and 2005
Actuarial Valuation Report As of August 1, 2007, 2006, and 2005

	2007	% Covered Payroll	2006	% Covered Payroll	2005	% Covered Payroll
Actuarial Determined Employer Contribution Normal Cost	$2,843	6.7%	$2,566	6.7%	$1,618	6.7%
Annual Pension Cost	$6,510		$5,813		$7,131	
% of APC Contributed	100%		100%		100%	
Net Pension Obligation	None		None		None	

10. Postretirement Benefits

The Authority provides certain postretirement health care and life insurance benefits to eligible retired employees and their spouses through provisions enacted by the authority of the Port Commission. At December 31, 2007, 259 former employees were eligible for these benefits. The Authority funds all of the premiums for retiree life insurance and a portion of the health insurance premiums. Continuation of these benefits and the Authority's contributions are dependent on periodic authorization by the Port Commission.

The health insurance benefits provided to retirees are the same as those offered to active employees though retirees have the option of securing their own insurance and receiving a monthly reimbursement from the Authority for a portion of the costs. The supplied benefits include hospital, doctor and prescription drug charges.

Basic life insurance coverage provided to retirees is based upon the retirees' annual compensation at retirement. Active employees receive life insurance coverage valued at 150% of their current annual salary. Retirees receive life insurance coverage valued at $5, $10 or $15 based on the salary at retirement date.

Employees who have reached age 62, or employees who have reached age 55 with 85 points or employees who have 30 years of service at the time service terminates with the Authority, may continue coverage in the Port of Houston Authority Group Health Plan as a retiree. An eligible employee may elect coverage for his or her dependents.

Disabled participants are covered in the Port of Houston Group Health Plan from the date of disability.

The widow/widower of a retiree who has coverage as a retiree of the Port of Houston Authority group Health Plan may continue coverage upon the death of the retiree.

Funding Policy

The required contribution is based on projected pay-as-you-go basis which is expected to continue. For the years ended December 31, 2007 and 2006, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,850 and $2,507, respectively. Retiree life benefit costs for 2007 and 2006 were $90 and $84, respectively.

Annual OPEB Cost and Net OPEB Obligation.

The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation.

(in thousands)

Determination of Annual Required Contribution	
Normal Cost at year end	$5,704
Amortization of UAAL	6,587
Annual Required Contribution (ARC)	12,291
Determination of Net OPEB Obligation	
Annual Required Contribution	12,291
Interest on prior year Net OPEB Obligation	0
Adjustment to ARC	0
Annual OPEB cost	12,291
Contributions made	2,707
Increase in Net OPEB Obligation	9,584
Net OPEB Obligation - beginning of year	0
Net OPEB Obligation - end of year	$9,584

The end of year net OPEB Obligation is shown as a non-current liability on the Statement of Net Assets.

The following table shows the annual OPEB cost and net OPEB obligation assuming the plan is not prefunded.

Plan Year Ended	2007
Annual OPEB cost	$12,290
Percentage of OPEB Cost Contributed	22.00%
Net OPEB Obligation	$9,584

The Authority implemented the provisions of GASB Statement No. 45 in 2007. In future years, the table above will include 3 years of data as it becomes available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The actuarial cost method used to determine the OPEB obligation is computed using the Unit Credit Actuarial Cost Method which consists of the following cost components:

1) The Normal Cost is the Actuarial Present Value of benefits allocated to the valuation year.

2) The Actuarial Liability is the Actuarial Present Value of benefits accrued as of the valuation date.

3) Valuation Assets are equal to the market value of assets as of the valuation date, if any.

4) Unfunded Actuarial Liability which is the difference between the Actuarial Liability and the Valuation Assets. The UAAL is being amortized as a level dollar amount over the maximum of 30 years, as permissible under GASB 45.

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Actuarial assumptions used included a discount rate of 4.5% compounded annually, mortality table, withdrawal rates, disability rates, retirement rates, participation, health care cost trend rates, marriage assumptions, annual retiree claim costs, age slope and retiree premiums.

11. Risk Management

The Authority is exposed to risk of financial loss from fire, windstorm, explosion and other perils that could damage or destroy assets and properties and cause loss of income should assets and properties be shut down for an extended period of time. The Authority is also exposed to third-party bodily injury and property damage claims arising from the operation and ownership of its properties and from losses resulting from on-the-job injuries sustained by employees.

(in thousands)

The Authority has purchased retrospective-rated insurance policies for workers' compensation, general liability and automobile liability. At December 31, 2007, the Authority was insured for the following loss limitations:

	Workers' Compensation	General Liability	Automobile Liability
Per Accident	$200		
Bodily Injury			
Each Accident		$200	$200
Property Damage		$100	$100

The Authority's insurance policy also includes a maximum loss liability provision of $3,500 for the period from March 1, 2007 through March 1, 2008. Settled claims did not exceed the insurance coverage during the last three fiscal years.

The claims liability of $392 and $387 reported at December 31, 2007 and 2006, respectively, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such liability was actuarially determined. The liability includes amounts for claims that have been incurred but not reported.

(in thousands)

Changes in claim liability amounts in fiscal years 2007 and 2006 were as follows:

	2007	**2006**
Unpaid claims and claim adjustment expenses at beginning of year	$387	$310
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	499	565
Changes in provision for insured events of prior years	94	103
Total incurred claims and claim adjustment expenses	593	668
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	316	239
Claims and claim adjustment refunds attributable to insured events of prior ears	272	352
Total payment	588	591
Total unpaid claims and claim adjustment expenses at year end	$392	$387

12. Commitments and Contingencies

Commitments

At December 31, 2007 the Authority had committed approximately $45,290 for supplies, services, the purchase of equipment and the expansion of facilities.

Litigation and Claims

The Authority is a defendant in various legal actions arising in the normal course of business; it cannot predict the results of such litigation. However, based on consultation with outside counsel, the Authority generally believes the outcome of such matters will not materially affect its financial position, except that it cannot reach such conclusion at this time regarding the lawsuits described below.

The Authority is the defendant in a breach of contract action brought by Zachry Construction Corporation (“Zachry”) in November 2006. The lawsuit arises out of a contract which the Authority entered into with Zachry in June 2004, for the construction of the initial 1,660 feet of wharf at the Bayport Terminal. An additional 332 feet of dock was later added to the contract by change order.

Zachry seeks damages in the amount of $34,242, faulting the Authority for Zachry's decision to abandon the use of a freeze wall cofferdam to construct the dock "in the dry," and complete the work "in the wet." The Authority disputes all of Zachry's contentions and intends to vigorously contest the matter.

In December 2007, A-1 American Fence, Inc. ("A-1") asserted a claim against the Authority for additional work and expense incurred in connection with its construction contract at the Authority's Turning Basin Terminal. A-1 has claimed damages of at least $2,900. The Authority does not intend to pay the amount sought by A-1; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

The Authority has been named in a lawsuit filed in April 2008 by Hapag-Lloyd Aktiengesellschaft; however, as of May 20, 2008, it has not yet been served with process. Plaintiff asserts a claim for property damages, which the Authority understands to approximate $1,000, resulting from a shore crane spreader bar that fell damaging a hatch cover on a vessel docked at the Authority's Barbours Cut Terminal. Because this matter is in the earliest stages of proceedings, the Authority has not reached any judgment as to the likely outcome or the range of potential loss.

In addition to the matters specifically listed, the Authority is involved in other litigation and claims. While uncertainties are also inherent in the final outcome of such other matters and it is presently impossible to determine the costs that ultimately may be incurred or their effect on the Authority, management believes that the resolution of such uncertainties and the incurrence of such costs, regarding such other matters, should not result in a material adverse effect on the Authority's financial position, results of operations or liquidity.

Port of Houston Authority of Harris County, Texas
Required Supplemental Information

Port of Houston Authority Restated Retirement Plan
Schedule of Funding Progress
(in thousands)
(unaudited)

a)	Actuarial Valuation Date	8/01/07	8/01/06	8/01/05
b)	Actuarial Value of Assets	$101,148	$ 89,737	$84,810
c)	Actuarial Accrued Liability (AAL)	$109,919	$104,322	$89,912
d)	Unfunded (Overfunded) Actuarial Accrued Liability (UALL) (c-b)	$ 8,771	$ 14,585	$ 5,102
e)	Funded Ratio (b/c)	92.0%	86.0%	94.3%
f)	Annual Covered Payroll (Actuarial)	$ 28,621	$ 26,286	$24,113
g)	UAAL as a % of Covered Payroll (d/f)	30.6%	55.5%	21.2%

Port of Houston Authority OPEB Obligation
Schedule of Funding Progress
(in thousands)
(unaudited)

a)	Actuarial Valuation Date	1/01/07*
b)	Actuarial Value of Assets	$ 0
c)	Actuarial Accrued Liability (AAL)	$ 107,292
d)	Unfunded (Overfunded) Actuarial Accrued Liability (UALL) (c-b)	$ 107,292
e)	Funded Ratio (b/c)	0.00%
f)	Annual Covered Payroll (Actuarial)	$ 26,286
g)	UAAL as a % of Covered Payroll (d/f)	408.2%

* 2007 is the year of implementation

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APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Bonds, in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's Rating Services' highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent/Registrar; disbursement of such payments to Direct Participants will be the responsibility of DTC; and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

* * *

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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ANDREWS KURTH LLP
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__________, 2008

WE HAVE ACTED as Bond Counsel for Port of Houston Authority of Harris County, Texas (the "Authority") in connection with an issue of bonds (the "Bonds") described as follows:

> PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS, UNLIMITED TAX REFUNDING BONDS, SERIES 2008A (AMT), dated May 1, 2008, in the aggregate principal amount of $234,630,000 maturing on October 1 in each year from 2024 through and including 2026 and in the years 2029, 2033 and 2038. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the orders (the "Orders") adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (the "County") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the notes (the "Refunded Notes") that are being refunded with the proceeds of the Bonds, as described in the Orders. The transcript contains certified copies of certain proceedings of the Authority; certain certifications and representations and other material facts within the knowledge and control of the Authority, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

> (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the Authority enforceable in accordance with the terms and conditions

thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without limit as to rate or amount, upon taxable property located within the County, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds,

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds will be excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except with respect to interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or a "related person" thereto as provided in Section 147(a) of the Code. The Bonds will be treated as "private activity bonds" within the meaning of Section 141 of the Code. Interest on the Bonds will be an item of tax preference for purposes of determining the alternative minimum tax imposed on individuals and corporations.

THE OPINION SET FORTH in the preceding paragraph is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted in its Order to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

INTEREST ON all tax-exempt obligations, including the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals who may otherwise qualify for the earned income tax credit and taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX D

SUMMARY OF TABLES RELATED TO CONTINUING DISCLOSURE OF INFORMATION

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PORT OF HOUSTON AUTHORITY
OF
HARRIS COUNTY
UNLIMITED TAX REFUNDING BONDS,
SERIES 2008A (AMT)

PORT COMMISSION

James T. Edmonds

Steve L. Phelps	Jimmy Burke
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Wade M. Battles .... Managing Director

Erik A. Eriksson .... General Counsel

Barbara J. Schott, CPA .... County Auditor

Orlando Sanchez .... County Treasurer

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS