OFFICIAL STATEMENT
DATED JULY 21, 2015

NEW ISSUES - BOOK-ENTRY ONLY **RATINGS: Fitch "AAA"**
S&P "AAA"

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law, (a) interest on the Series 2015A Bonds (as defined below) is excludable from gross income for federal income tax purposes and the Series 2015A Bonds are not "private activity bonds" and (b) (i) interest on the Series 2015B Bonds (as defined below) is excludable from gross income for federal income tax purposes, except with respect to interest on any Series 2015B Bond for any period during which such Series 2015B Bond is held by a person who, within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, is a "substantial user" or a "related person" to such a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2015B Bonds, as described under "TAX MATTERS—Tax Exemption – Series 2015 Bonds" herein, and (ii) interest on the Series 2015B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS—Tax Exemption – Series 2015A Bonds" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations, for the Series 2015A Bonds and "TAX MATTERS—Tax Exemption – Series 2015B Bonds" for a discussion of the opinion of Bond Counsel for the Series 2015B Bonds.

Interest on the Series 2015C Bonds (as defined below) is not excludable from gross income for federal tax purposes under existing law. See "TAX MATTERS—Material United States Federal Income Tax Matters – Series 2015C Bonds" herein.

$115,970,000
PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

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

$62,805,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015A (Tax Exempt Non-AMT)	$25,905,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015B (AMT)	$27,260,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015C (Taxable)
Interest Accrual Date: Date of Delivery	**CUSIP Prefix: 734260**	**Due: October 1 (see pages i, ii and iii)**

The Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2015A (Tax Exempt Non-AMT) (the "Series 2015A Bonds"), the Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2015B (AMT) (the "Series 2015B Bonds"), and the Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2015C (Taxable) (the "Series 2015C Bonds," and collectively with the Series 2015A Bonds and the Series 2015B Bonds, 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 levied, without legal limit as to rate or amount, on all taxable property within the Authority. **The Bonds are not obligations of Harris County or the City of Houston, Texas.** See "DESCRIPTION OF THE BONDS—Source of Payment of the Bonds" and "AD VALOREM TAXES" herein.

Interest on the Bonds will accrue from the later of their Date of Delivery (as defined below) to the underwriters identified below (the "Underwriters") 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, payable on October 1, 2015, and each April 1 and October 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 Bonds will be issued only in fully-registered form in the denomination of $5,000 principal amount, or integral multiples thereof. See "DESCRIPTION OF THE BONDS."

The Bonds will be 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 by Amegy Bank National Association, Houston, Texas (the "Paying Agent/Registrar") from amounts paid by the Authority to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX B—BOOK-ENTRY-ONLY SYSTEM."

Proceeds of the Bonds will be used to (i) refund certain outstanding bonds of the Authority (the "Refunded Bonds") in order to achieve debt service savings; and (ii) pay the costs of issuance of the Bonds and the costs of refunding the Refunded Bonds. See "PLAN OF FINANCING" and "DESCRIPTION OF THE BONDS – Refunded Bonds" and "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED."

The Series 2015A Bonds are subject to optional redemption, in whole or in part, as described herein. See "DESCRIPTION OF THE BONDS – Optional Redemption of the Series 2015A Bonds." The Series 2015B Bonds are not subject to optional redemption prior to maturity. The Series 2015C Bonds are subject to optional and make-whole redemption, in whole or in part, as described herein. See "DESCRIPTION OF THE BONDS – Redemption – Optional Redemption of the Series 2015C Bonds with Make-Whole Premium", and – "Optional Redemption of the Series 2015C Bonds at Par Plus Accrued Interest".

SEE PAGES i, ii and iii FOR MATURITY AND PRICING SCHEDULES

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 Bracewell & Giuliani LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Andrews Kurth 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 August 26, 2015 ("Date of Delivery").

CITIGROUP

BACKSTROM MCCARLEY BERRY & CO., LLC	**BAIRD**	**COASTAL SECURITIES, INC.**
MORGAN STANLEY	**RAYMOND JAMES**	**WELLS FARGO SECURITIES**

PORT OF HOUSTON AUTHORITY

MATURITY AND PRICING SCHEDULE

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$62,805,000
UNLIMITED TAX REFUNDING BONDS,
SERIES 2015A (Tax Exempt Non-AMT)

CUSIP PREFIX: 734260[a]

Maturity (October 1)	Principal Amount	Interest Rate	Initial Offering Yield[c]	CUSIP Suffix
2019	$ 5,085,000	5.000%	1.290%	4G4
2020	13,700,000	5.000	1.540	4H2
2021	14,350,000	5.000	1.850	4J8
2022	14,430,000	5.000	2.130	4K5
2023	6,565,000	5.000	2.310	4L3
2024	1,455,000	5.000	2.430	4M1
2025	1,505,000	5.000	2.610	4N9
2026[b]	1,550,000	5.000	2.750	4P4
2027[b]	1,545,000	5.000	2.830	4Q2
2028[b]	625,000	3.125	3.270	4R0
2029[b]	645,000	3.250	3.390	4S8
2030[b]	665,000	3.375	3.460	4T6
2031[b]	685,000	3.375	3.520	4U3

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[a] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

[b] The Bonds maturing on and after October 1, 2026, are subject to redemption prior to maturity, at the option of the Authority, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on October 1, 2025, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS – Redemption – Optional Redemption of the Series 2015A Bonds."

[c] The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed. Yields shown are calculated to maturity or the first optional redemption date, whichever produces the lowest yield.

MATURITY AND PRICING SCHEDULE

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$25,905,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2015B (AMT)

CUSIP PREFIX: 734260[a]

Maturity (October 1)[b]	Principal Amount	Interest Rate	Initial Offering Price Yield[c]	CUSIP Suffix
2016	$4,695,000	5.000%	0.530%	4V1
2017	5,915,000	5.000	0.960	4W9
2018	8,940,000	5.000	1.320	4X7
2019	4,755,000	5.000	1.580	4Y5
2023	1,600,000	5.000	2.660	4Z2

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(b) The Series 2015B Bonds are not subject to optional redemption prior to maturity.
(c) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed. Yields shown are calculated to maturity or the first optional redemption date, whichever produces the lowest yield.

MATURITY AND PRICING SCHEDULE

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$27,260,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2015C (Taxable)

CUSIP PREFIX: 734260[a]

Maturity (October 1)	Principal Amount	Interest Rate	Initial Offering Price Yield[d]	CUSIP Suffix
2017[b]	$2,190,000	5.000%	1.030%	3W0
2018[b]	2,305,000	5.000	1.499	3X8
2019[b]	2,420,000	5.000	2.026	3Y6
2020[b]	2,540,000	5.000	2.346	3Z3
2021[b]	2,670,000	5.000	2.634	4A7
2022[b]	2,800,000	5.000	2.834	4B5
2023[b]	2,940,000	3.054	3.054	4C3
2024[b]	3,030,000	3.204	3.204	4D1
2025[b]	3,130,000	3.404	3.404	4E9
2026[c]	3,235,000	3.554	3.554	4F6

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(b) The Series 2015C Bonds are subject to optional make-whole redemption, in whole or in part, at the option of the Authority on or after the Date of Delivery of the Series 2015C Bonds and prior to October 1, 2025. See "DESCRIPTION OF THE BONDS – Redemption – Optional Redemption of the Series 2015C Bonds with Make-Whole Premium".

(c) The Series 2015C Bonds maturing on October 1, 2026, are subject to redemption prior to maturity, at the option of the Authority, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on October 1, 2025, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS – Redemption – Optional Redemption of the Series 2015C Bonds at Par Plus Accrued Interest".

(d) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed. Yields shown are calculated to maturity or the first optional redemption date, whichever produces the lowest yield.

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 Underwriters.

This Official Statement, which includes the cover page and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS 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.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the Authority, the Financial Advisor, nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See “FORWARD-LOOKING STATEMENTS” herein.

References to web-site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in the Rule 15c2-12 of the Securities and Exchange Commission.

Port of Houston Authority of Harris County, Texas

PORT COMMISSION

Janiece M. Longoria, Chairman

John D. Kennedy, Commissioner

Clyde Fitzgerald, Commissioner

Stephen H. DonCarlos, Commissioner

Dean E. Corgey, Commissioner

Theldon R. Branch, III, Commissioner

Roy D. Mease, Commissioner

ADMINISTRATION

Roger Guenther, Executive Director

Thomas J. Heidt, Chief Operating Officer

Erik A. Eriksson, Chief Legal Officer

Tim Finley, Chief Financial Officer

Ramon Yi, Senior Director, Treasury

Maxine N. Buckles, Senior Director, Internal Audit

Orlando Sanchez, Harris County Treasurer

CONSULTANTS AND ADVISORS TO THE AUTHORITY

Auditors .... Grant Thornton LLP

Financial Advisor .... First Southwest Company

Bond Counsel .... Bracewell & Giuliani LLP

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SOURCE OF PAYMENT OF THE BONDS

The Bonds are payable from the receipts of an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property within the Authority. See "AUTHORITY AD VALOREM TAXES." Pursuant to the provisions of the County Order, the Commissioners Court, on behalf of the Authority, has levied and agreed to assess and collect such 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 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 tax receipts and interest earned thereon as described above) of the Authority are pledged as security for the Bonds.**

SELECTED AUTHORITY AD VALOREM TAX DATA
(dollar amounts in thousands)

Tax (Calendar) Year[(a)]

	2010	2011	2012	2013	2014
Total Assessed Value, Net of Exemptions	$264,257,985	$268,270,468	$279,467,968	$303,771,932	$337,271,273
Ad Valorem Tax Rate (Per $100 of Assessed Value)	0.02054	0.01856	0.01952	0.01716	0.01531
Current Collections of Ad Valorem Taxes Levied[(b)]	$50,650	$47,012	$51,755	$49,790	$49,400
Current Collections as a Percentage of Ad Valorem Taxes Levied	93.17%	94.38%	94.75%	95.22%	95.26%
Total Ad Valorem Collections[(c)]	$53,319	$48,923	$53,672	$51,526	N/A
Total Collections as a Percentage of Ad Valorem Taxes Levied	98.08%	98.21%	98.26%	98.54%	N/A
	2010	2011	2012	2013	2014
Ad Valorem Tax Bonds Outstanding[(d)]	$763,619	$745,874	$731,969	$717,624	$702,379
Ad Valorem Tax Bonds Outstanding as a Percentage of Assessed Value	0.29%	0.28%	0.26%	0.24%	0.21%

(a) As of April 10, 2015, the Authority received from Harris County Appraisal District certified taxable values net of exemptions for Tax Year 2014 of approximately $339.5 billion. The amount certified does not include amounts under protest (including the owners' uncontested valuations) and amounts for which the Appraisal District has not completed the certification process. Certified additional amounts will be added to the certified values by supplement. Tax Rates for 2015 are scheduled to be adopted by Commissioners Court in late October 2015.
(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 the principal amount of the Authority's outstanding ad valorem tax bonds, including the Refunded Bonds.
Source of ad valorem tax bond information: The Authority, as of December 31 for each year.
Source of ad valorem tax information: Harris County Tax Assessor-Collector, as of December 31 for each year.

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OFFICIAL STATEMENT

relating to

$115,970,000
PORT OF HOUSTON AUTHORITY OF
HARRIS COUNTY, TEXAS
(a political subdivision of the State of Texas having boundaries generally coterminous with Harris County)

$62,805,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015A (Tax Exempt Non-AMT)	$25,905,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015B (AMT)	$27,260,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015C (Taxable)

INTRODUCTION

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 its Unlimited Tax Refunding Bonds, Series 2015A (Tax Exempt Non-AMT) (the "Series 2015A Bonds"), the Unlimited Tax Refunding Bonds, Series 2015B (AMT) (the "Series 2015B Bonds"), and the Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2015C (Taxable) (the "Series 2015C Bonds," and collectively with the Series 2015A Bonds and the Series 2015B Bonds, the "Bonds"). The Bonds are issued pursuant to the provisions of an order (the "County Bond Order") adopted on July 14, 2015, by the Commissioners Court of Harris County, Texas (the "Commissioners Court"), on behalf of the Authority. In the County Bond Order, as permitted by the provisions of Chapters 1207 and 1371, the Commissioners Court delegated the authority to certain officials to execute one or more pricing certificates (each a "Pricing Certificate" and collectively, the "Pricing Certificates") for the Bonds evidencing the final pricing terms of the Bonds. The Pricing Certificates and the County Bond Order are collectively referred to herein as the "County Order".

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 52 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. The Treasurer of the Authority is also the Harris County Treasurer. See "THE AUTHORITY" herein. **The Bonds are not obligations of the County or 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 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 will be used to pay the principal of or interest on the Bonds. The Authority also adopted an order (the "Authority Bond Order") authorizing the sale of the Bonds, containing its continuing disclosure undertaking and authorizing and approving certain other matters in connection with the issuance and delivery of the Bonds. In the Authority Bond Orders, as permitted by the provisions of Chapters 1207 and 1371, the Port Commission delegated the authority to certain officials to execute one or more Pricing Certificates evidencing the final pricing terms of the Bonds (each an "Authority Pricing Certificate" and collectively, the "Authority Pricing Certificates"). The Authority Pricing Certificates and the Authority Bond Order are collectively referred to herein as the "Authority Order". The Authority Order and the County Order are collectively referred to herein as the "Order".

PLAN OF FINANCING

Purpose

The proceeds of the Bonds will be used to (i) refund certain outstanding bonds of the Authority (the "Refunded Bonds") (see "DESCRIPTION OF THE BONDS – Refunded Bonds" and "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" for a more complete description of the Refunded Bonds) in order to achieve debt service savings; and (ii) pay the costs of issuance of the Bonds and the costs of refunding the Refunded Bonds.

The Refunded Bonds

The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption dates from funds to be deposited with Amegy Bank National Association (the "Escrow Agent"), pursuant to the escrow agreement (the "Escrow Agreement") between the Authority and the Escrow Agent.

The Order provides that the Authority will deposit with the Escrow Agent a portion of the proceeds from the sale of the Bonds, together with other lawfully available funds of the Authority, if any, in an amount which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in separate escrow accounts (the "Escrow Funds") established under the Escrow Agreement in connection with each series of Bonds and will be held as cash or used to purchase a portfolio of securities authorized by Chapter 1207, Texas Government Code, which authorized securities include (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; and (b) 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 are rated as to investment quality by at least one nationally recognized investment rating firm not less than AAA or its equivalent on the date that the Commissioners Court adopts or approves the proceedings authorizing the issuance of ad valorem tax refunding bonds (the "Escrowed Securities"). Under the Escrow Agreement, each Escrow Fund created under the Escrow Agreement is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds addressed by such Escrow Fund.

Grant Thornton LLP, Certified Public Accountants, (the "Verification Agent") will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Funds established under each Escrow Agreement, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds addressed by such Escrow Agreement on their respective scheduled redemption dates and maturity dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS".

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the orders authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the Authority.

It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon the report of Verification Agent, firm banking arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor, in each Escrow Agreement.

SOURCES AND USES OF FUNDS

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

	Series 2015A Bonds (Tax Exempt Non-AMT)	Series 2015B Bonds (AMT)	Series 2015C Bonds (Taxable)	Total
Sources of Funds:				
Principal Amount	$62,805,000.00	$25,905,000.00	$27,260,000.00	$115,970,000.00
Net Original Issue Premium	10,851,999.75	2,632,897.15	1,767,710.15	15,252,607.05
Transfer from Debt Service Fund	1,413,145.83	537,134.38	550,516.67	2,500,796.88
Total Sources of Funds	$75,070,145.58	$29,075,031.53	$29,578,226.82	$133,723,403.93
Uses of Funds:				
Deposit with Escrow Agent	$74,583,431.26	$28,896,787.50	$29,363,640.35	$132,893,859.11
Underwriters' Discount	267,211.57	75,684.25	110,362.26	453,258.08
Costs of Issuance(1)	219,502.75	102,559.78	104,224.21	426,286.74
Total Uses of Funds	$75,070,145.58	$29,075,031.53	$29,578,226.82	$133,773,403.93

(1) Includes legal fees, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Escrow Agent, and other costs of issuance.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated as set forth in the Order, but will bear interest from the later of their date of delivery to the Underwriters 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 on October 1, 2015, and each April 1 and October 1 thereafter until maturity or earlier redemption.

The Bonds will initially be registered only in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the book-entry-only system described in APPENDIX B to this Official Statement. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the Beneficial Owners (as defined in APPENDIX B) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially Amegy Bank National Association, Houston, Texas, to Cede & Co., which will make distributions of the payments to the participating members of DTC for subsequent remittance to the Beneficial Owners. See "APPENDIX B – Book-Entry-Only System."

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book-entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, will be made in accordance with existing arrangements between the Port Commission and the securities depository.

Redemption

Optional Redemption of the Series 2015A Bonds (Tax-Exempt Non-AMT). The Series 2015A Bonds maturing on and after October 1, 2026 are subject to redemption prior to maturity at the option of the Authority, on and after October 1, 2025, in whole or in part, on any date in principal amounts equal to authorized denominations, at a price of par, plus accrued interest to the redemption date.

No Optional Redemption of Series 2015B Bonds (AMT). The Series 2015B Bonds are not subject to optional redemption prior to maturity.

Optional Redemption of the Series 2015C Bonds (Taxable) with Make-Whole Premium. The Series 2015C Bonds are subject to optional make-whole redemption, in whole or in part, at the option of the Authority on or after the Date of Delivery of the Series 2015C Bonds, and prior to October 1, 2025 at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2015C Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Series 2015C Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2015C Bonds being redeemed to the date fixed for redemption.

For the purposes of determining the Treasury Rate, the following definitions shall apply:

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2015C Bonds, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2015C Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the applicable Series 2015C Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2015C Bonds, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (2) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Authority.

"Reference Treasury Dealer" means Citigroup Global Markets, Inc. and its successors and three other firms, specified by the Authority from time to time, that are primary U.S. Government securities dealers in the City of New York, New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority shall substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2015C Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Optional Redemption of the Series 2015C Bonds (Taxable) at Par Plus Accrued Interest. The Series 2015C Bonds maturing on October 1, 2026, are subject to redemption prior to maturity, at the option of the

Authority, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on October 1, 2025, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

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. In the event that the Authority elects to redeem or defease less than all of the principal amount of a maturity of the Bonds, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds to be defeased by such random method as it deems fair and appropriate; provided, however, that during any period in which ownership of such Bonds to be redeemed is determined only by a book-entry at DTC, or a successor securities depository, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangements between the Authority and DTC or successor securities depository. In selecting for redemption portions of Bonds in excess of an authorized denomination, each such Bond will be treated as representing that number of Bonds of an authorized denomination that is obtained by dividing the principal amount of such Bond by the authorized denomination of such Bond.

Notice of Redemption. Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar, at the direction of the Authority, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Authority reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Authority retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Authority delivers a certificate of the Authority to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded.

The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected registered owners. Any Bonds subject to conditional redemption where such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Authority to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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.

Authority for the Bonds

The Bonds are issued pursuant to the Orders and 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 5007, Texas Special

District Local Laws Code, as amended, (iii) Chapter 1201, Texas Government Code, as amended, (iv) Chapter 1207, Texas Government Code, as amended, and (v) Chapter 1371, Texas Government Code, as amended.

Source of Payment of the Bonds

The Bonds are payable from the receipts of an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property within the Authority. See "AUTHORITY AD VALOREM TAXES." Pursuant to the provisions of the County Order adopted at a meeting of the Commissioners Court, the Commissioners Court, on behalf of the Authority, has levied and agreed to assess and collect such 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 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 tax receipts and interest earned thereon as described above) of the Authority are pledged as security for the Bonds.**

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 and the Underwriters cannot and do 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.

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 Order will be given only to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Amegy Bank National Association, Houston, Texas. In the Order, the Authority retains the right to replace the Paying Agent/Registrar. The Authority covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds.

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.

Record Date for Interest Payment

The record date ("Record Date") for determining the person to whom interest is payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the month next preceding such interest payment date. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

TRANSFER, EXCHANGE AND REGISTRATION

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond surrendered for exchange or transfer. See "APPENDIX B – BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the Owners and thereafter, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer or exchange any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Authority and the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, (b) upon furnishing the Authority and the Paying Agent/Registrar with indemnity satisfactory to them, (c) upon paying all expenses and charges in connection therewith and (d) upon satisfying any other reasonable requirements imposed by the Authority and the Paying Agent/Registrar. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith and satisfy any other reasonable requirements imposed by the Authority and the Paying Agent/Registrar.

Amendments

The Commissioners Court and the Authority, as the case may be, may, without the consent of or notice to any bondholder, from time to time and at any time, amend the Order authorizing the issuance of a particular series of Bonds in any manner not detrimental to the interest of the bondholders of such series of Bonds, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the Commissioners Court and the Authority, as the case may be, may, with the written consent of bondholders holding a majority in aggregate principal amount of the Bonds of a particular series then outstanding and affected thereby, if any, amend, add to or rescind any of the provisions of the Order authorizing the issuance of a particular series of Bonds, provided that, without the consent of all bondholders of the outstanding Bonds of such series 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 therefor, 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 Order 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 deposit, 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 deposit, 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.

The Authority is under no obligation to maintain a particular rating for escrowed securities, and ratings conditions are satisfied by a sufficient rating from any nationally recognized rating firm.

AUTHORITY AD VALOREM TAXES

The Commissioners Court is responsible for levying ad valorem taxes on behalf of the Authority.

Property Subject to Taxation

Except for certain exemptions provided by State law, including certain exemptions that the Authority has elected to allow, all real and certain tangible personal property and certain intangible personal property with a tax situs in the Authority is subject to taxation by the Authority. See "AUTHORITY AD VALOREM TAXES – Authority Tax Values and Tax Rates – Table 2 Footnote (b)." The Commissioners Court sets the Authority's tax rate using the Authority's taxable value. See "AUTHORITY AD VALOREM TAX DEBT – Ad Valorem Tax Debt Comparisons – Table 5 Footnote (b)."

Reference is made to the Title I of the Texas Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Additionally, the governing body of a political subdivision may grant an exemption of up to 20% of the market value of all residence homesteads, with a minimum exemption of $5,000. The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000. A disabled veteran who receives from the United States Department of Veterans Affairs or its successor a rating of 100% disabled is entitled to an exemption from taxation of the total appraised value of the resident's homestead. A surviving spouse of deceased veteran who had received a rating of 100% disabled is entitled to receive an exemption equal to the total appraised value of the homestead until the surviving spouse remarries.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-intransit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

Valuation of Property for Taxation

The Property Tax Code generally requires all taxable property (except property utilized for a qualified agricultural use, timberland, and recreational, park, and scenic land) 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. Residential homestead property may be valued solely based on its use as residential property, without regard to other potential uses. 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, the Authority, and all other taxing units in the County is the responsibility of the Harris County Appraisal District (the "Appraisal District"), an independent subdivision of the State created under the Property Tax Code for that purpose.

The Appraisal District is governed by a six-member board ("Appraisal District Board") whose members are appointed by vote of the Commissioners Court and the governing bodies of the cities, towns, school districts and 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 ("HISD") Board of Education may each select one member. The cities and towns other than the City of Houston choose one member by election. The school districts other than HISD choose one member by election. The conservation and reclamation districts choose one member by election.

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 Order are appealable to a State district court.

Limitations on Tax Rate Increases

The Commissioners Court is required to set the Authority's tax rate before the later of September 30 or the 60th day after the certified appraisal roll is received by the Authority. If the Commissioners Court does not adopt a tax rate before the required date, the tax rate for the Authority is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the benefit of the Authority 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 Commissioners Court 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 obligations, 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 obligations, such excess portion of the levy may be repealed at an election within the Authority held upon petition of 10% of the qualified voters of the Authority.

Collections, Penalty and Interest

The County Tax Assessor-Collector is responsible for collection of taxes. Tax statements are required to be mailed by October 1, or as soon thereafter as practicable, and taxes thereon become delinquent on February 1 of the following year. 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. The Commissioners Court may impose an additional penalty for collection costs for certain delinquent taxes if there is a contract with a collection attorney. The Commissioners Court 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 for the Authority 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 aged 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 Tax Rates

The following table shows the ad valorem tax rates per $100 of assessed value levied by the Commissioners Court on behalf of the Authority for each of the tax years 2010 through 2014. The table does not show the ad valorem tax rates levied by other County-wide taxing entities. See "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[(a)]

Purpose	2010	2011	2012	2013	2014
Debt Service	$0.02054	$0.01856	$0.01952	$0.01716	$0.01531

(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 2010 through 2014. 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)

	Certified Taxable Value as of December 31 of each tax year				
Tax Year	Real Property	Personal Property	Less Exemptions and Abatements[(a)(b)(c)]	Total[(a)(b)(c)]	Authority Tax Rate per $100 of Taxable Value
2010	$300,557,174	$43,837,867	$80,137,056	$264,257,985	$0.02054
2011	306,488,194	43,891,522	82,109,248	268,270,468	0.01856
2012	317,458,948	47,105,465	85,096,445	279,467,968	0.01952
2013	338,787,938	51,399,961	86,415,967	303,771,932	0.01716
2014[(c)]	375,147,134	54,650,315	92,526,176	337,271,273[(d)]	0.01531

(a) Includes statutory exemptions including public purpose and charitable property exempt by federal law, farm products owned by producers, and solar and wind energy devices. Additionally by action of the Commissioners Court and Port Commission or through a process of petition and referendum initiated by residents, may grant an exemption for residential homesteads of persons 65 years or older and of certain disabled persons. Such an exemption for residential homesteads for persons 65 years of age or older and disabled persons has been granted for up to $160,000 of assessed value. If requested, exemptions must be granted to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active military duty in an amount, not to exceed $3,000 of assessed value. Exemptions of up to 20% of the value of residential homesteads from ad valorem taxation may also be granted. Such 20% exemption has been granted.

(b) The County and certain taxing units located within the County, including the Authority, 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 10, 2015, was approximately $332 million. Assessed taxable value figures herein are net of abatements.

(c) Interim estimates of taxable value per Harris County Appraisal District supplemental reports dated as of December 19, 2014; does not include assessed values for properties whose values were being protested.

(d) As of April 10, 2015, the Authority received from Harris County Appraisal District certified taxable values net of exemptions for Tax Year 2014 of approximately $339.5 billion. The amount certified does not include amounts under protest (including the owners' uncontested valuations) and amounts for which the Appraisal District has not completed the certification process. Certified additional amounts will be added to the certified values by supplement.

Sources: Harris County Tax Assessor-Collector, Harris County Appraisal District, and the Authority.

Authority Tax Levies, Collections, and Delinquencies

The table below sets forth a comparison of the ad valorem taxes levied and collected by the Commissioners Court on behalf of the Authority for the tax years 2010 through 2014.

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

Tax 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 Receivables[(b)]
2010	$54,364	$50,650	93.17%	$2,669	$53,319	98.08%	$255
2011	49,814	47,012	94.38%	1,911	48,923	98.21%	274
2012	54,624	51,755	94.75%	1,917	53,672	98.26%	400
2013	52,289	49,790	95.22%	1,736	51,526	98.54%	785
2014[(c)]	51,860	49,400	95.26%	N/A	N/A	N/A	N/A

(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 estimates per Harris County Appraisal District supplemental reports as of February 28, 2015.

Sources: Harris County Tax Assessor-Collector, Harris County Appraisal District, and the Authority.

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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	2014 Taxable Valuations[a]	Rank	Percentage of Total 2014 Taxable Valuation[b]
ExxonMobilCorp	$3,190,218	1	0.95%
CenterPoint Energy Inc	2,780,025	2	0.82
Shell Oil Co	2,502,412	3	0.74
Lyondell Chemical Co	2,127,570	4	0.63
Chevron Chemical Co	2,004,198	5	0.59
BP America Production Co	965,729	6	0.29
Crescent Real Estate	917,216	7	0.27
Walmart	875,506	8	0.26
Hewlett Packard	855,261	9	0.25
NOV Wilson LP	829,255	10	0.25
United Airlines	652,102	11	0.19
Busycon	536,990	12	0.16
Palmetto Transoceanic LLC	534,722	13	0.16
Southwestern Bell Telephone	517,939	14	0.15
1000 Louisiana LP	504,064	15	0.15
Total	$19,793,207		5.86%

[a] Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates that are not grouped on the tax rolls with the taxpayers shown.
[b] Based on the Authority's total taxable value of approximately $337.3 billion as of December 19, 2014.

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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 2010 through 2014. 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

			Tax Years		
Purpose	**2010**	**2011**	**2012**	**2013**	**2014**
County:					
Operating Fund	$0.33221	$0.33221	$0.32798	$0.34000	$0.34000
Public Improvement Contingency Fund	0.00180	0.00223	0.00473	0.00547	0.00547
Debt Service	0.03635	0.03825	0.04468	0.05158	0.04802
Total ($0.80 Limited Tax Rate)	0.37036	0.37269	0.37739	0.39705	0.39349
Road Bond Debt Service:					
(Unlimited Tax Rate)	0.01769	0.01848	0.02282	0.01750	0.02382
Toll Road Authority Tax Bond:					
Debt Service (Unlimited Tax Rate)[(a)]	--	--	--	--	--
Total County Tax Rate	0.38805	0.39117	0.40021	0.41455	0.41731
Harris County Flood Control District[(b)]					
Operating Fund	0.02727	0.02727	0.02522	0.02620	0.02620
Debt Service	0.00196	0.00082	0.00287	0.00207	0.00116
Total	0.02923	0.02809	0.02809	0.02827	0.02736
Port of Houston Authority Debt Service[(c)]	0.02054	0.01856	0.01952	0.01716	0.01531
Harris County Hospital District[(d)]	0.19216	0.19216	0.18216	0.17000	0.17000
Total County-Wide Ad Valorem Tax Rate	$0.62998	$0.62998	$0.62998	$0.62998	$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 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 its bonds is by law unlimited.

(d) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Hospital District/Harris Health is limited by law to a maximum of $0.75 per $100 assessed value.

Sources: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

AUTHORITY AD VALOREM TAX 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, 2010, through December 31, 2014, as a percentage of taxable value and per capita.

TABLE 5 – AD VALOREM TAX DEBT COMPARISONS

Fiscal Year Ended (12/31)	Authority's Debt Outstanding[a] (in thousands)	Authority's Taxable Value[b] (in thousands)	Authority's Debt Outstanding as a Percentage of Taxable Value	Estimated Population[c]	Authority's Tax Debt Outstanding Per Capita
2010	$763,619	$264,257,985	0.29%	4,092,459	$187
2011	745,874	268,270,468	0.28%	4,178,574	178
2012	731,969	279,467,968	0.26%	4,253,700	172
2013	717,624	303,771,932	0.24%	4,352,752	165
2014	702,379	337,271,273	0.21%	4,441,370	158

[a] Principal amount of the Authority's outstanding ad valorem tax debt.
[b] Net of exemptions and abatements. Property is assessed at 100% of appraised value. Source: Harris County Appraisal District
[c] Source: U.S. Census Bureau.

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Debt Service Schedule

The following table sets forth the annual debt service schedule on the Authority's outstanding ad valorem tax debt.

TABLE 6 – DEBT SERVICE SCHEDULE

Port FYE	Outstanding Debt Service[(a)]	Less Debt Service on Refunded Bonds	The Bonds		Adjusted Outstanding Debt Service
			Principal	Interest	
12/31/2015	$ 52,144,219	$ 603,641	-	$ 539,116	$ 52,079,694
12/31/2016	52,149,969	11,353,875	$ 4,695,000	5,545,192	51,036,286
12/31/2017	54,337,144	14,611,625	8,105,000	5,310,442	53,140,961
12/31/2018	54,415,094	17,573,875	11,245,000	4,905,192	52,991,411
12/31/2019	55,129,169	18,484,625	12,260,000	4,342,942	53,247,486
12/31/2020	55,492,394	22,711,875	16,240,000	3,729,942	52,750,461
12/31/2021	55,470,806	22,679,375	17,020,000	2,917,942	52,729,373
12/31/2022	54,715,731	21,942,000	17,230,000	2,066,942	52,070,673
12/31/2023	49,267,056	13,783,625	11,105,000	1,205,442	47,793,873
12/31/2024	49,263,444	5,680,750	4,485,000	707,405	48,775,098
12/31/2025	49,256,606	5,655,250	4,635,000	537,573	48,773,930
12/31/2026	49,249,556	5,619,250	4,785,000	355,778	48,771,084
12/31/2027	49,910,044	1,972,750	1,545,000	163,306	49,645,600
12/31/2028	49,910,794	820,750	625,000	86,056	49,801,100
12/31/2029	49,912,581	822,000	645,000	66,525	49,802,106
12/31/2030	49,911,631	821,500	665,000	45,563	49,800,694
12/31/2031	49,910,188	824,250	685,000	23,119	49,794,056
12/31/2032	49,907,888	-	-	-	49,907,888
12/31/2033	49,908,025	-	-	-	49,908,025
12/31/2034	49,905,806	-	-	-	49,905,806
12/31/2035	49,910,275	-	-	-	49,910,275
12/31/2036	49,909,275	-	-	-	49,909,275
12/31/2037	49,910,113	-	-	-	49,910,113
12/31/2038	49,912,181	-	-	-	49,912,181
12/31/2039	34,608,000	-	-	-	34,608,000
	$1,264,417,989	$165,961,016	$115,970,000	$32,548,478	$1,246,975,450

[(a)] Excludes the Bonds and includes the Refunded Bonds.
[(b)] Discrepancies in totals due to rounding.

Source: First Southwest Company.

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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, excluding commercial paper.

Fiscal Year (Ended Feb. 28/29)	County Limited Tax Bonds[(a)]	County Unlimited Tax Bonds	Toll Road Unlimited Tax Bonds[(b)]	Flood Control District Limited Tax Bonds[(c)]	Flood Control District Contract Tax Bonds[(d)]	Port of Houston Authority UL Tax Bonds[(e)]	Grand Total[)]
2016	$ 116,923,731	$ 85,130,302	$ 58,516,811	$ 4,274,000	$ 50,461,076	$ 52,079,694	$ 367,385,613
2017	124,145,757	84,176,925	42,799,013	4,274,000	50,559,413	51,036,286	356,991,393
2018	119,094,771	88,209,225	41,737,731	4,274,000	50,595,077	53,140,961	357,051,766
2019	112,070,615	89,381,663	41,187,050	4,274,000	50,669,731	52,991,411	350,574,470
2020	103,491,376	82,667,850	40,622,563	4,274,000	50,677,971	53,247,486	334,981,245
2021	100,301,902	85,455,250	40,049,775	4,274,000	50,676,658	52,750,461	333,508,046
2022	118,237,156	66,082,675	28,930,613	4,274,000	50,679,808	52,729,373	320,933,625
2023	78,646,086	94,274,175	28,689,022	4,274,000	50,678,358	52,070,673	308,632,314
2024	79,636,661	93,053,175	28,084,903	4,274,000	50,678,108	47,793,873	303,520,721
2025	111,652,788	81,619,275	27,462,059	4,274,000	50,681,358	48,775,098	324,464,578
2026	66,316,788	73,137,675	17,500,338	9,349,000	45,908,000	48,773,930	260,985,730
2027	63,522,538	70,984,175	16,886,138	35,145,250	19,688,500	48,771,084	254,997,684
2028	61,749,413	68,833,925	16,275,756	15,264,000	39,563,500	49,645,600	251,332,194
2029	53,236,000	66,800,425	15,659,194	14,656,000	40,174,750	49,801,100	240,327,469
2030	27,700,250	54,347,675	15,046,450	14,048,000	37,784,750	49,802,106	198,729,231
2031	27,499,875	50,130,175	14,432,394	13,440,000	23,678,500	49,800,694	178,981,638
2032	27,332,625	48,743,338	13,817,025	-	17,019,000	49,794,056	156,706,044
2033	22,355,250	17,422,500	13,205,213	-	17,020,500	49,907,888	119,911,350
2034	-	17,425,000	12,586,956	-	17,019,500	49,908,025	96,939,481
2035	-	17,424,750	-	-	17,019,750	49,905,806	84,350,306
2036	-	-	-	-	17,019,750	49,910,275	66,930,025
2037	-	-	-	-	17,023,000	49,909,275	66,932,275
2038	-	-	-	-	17,022,750	49,910,113	66,932,863
2039	-	-	-	-	17,022,500	49,912,181	66,934,681
2040	-	-	-	-	17,020,500	34,608,000	51,628,500
	$1,413,913,582	$1,335,300,152	$513,489,001	$144,642,250	$866,342,807	$1,246,975,450	$5,520,663,242[(f)]

[(a)] Includes debt supported by both the County's limited ad valorem tax and its hotel occupancy tax.
[(b)] The County's policy and practice has been to provide for payment of debt service on the Toll Road Unlimited 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)] Flood Control District Limited Tax Bonds are secured by a pledge of a limited tax levied by the Commissioners Court on behalf of the Flood Control District.
[(d)] Flood Control District Contract Tax Bonds are payable from contractual payments made by the County to the Flood Control District secured by the County's limited tax pursuant to the Flood Control Projects Contract.
[(e)] Includes the Bonds and excludes the Refunded Bonds.
[(f)] Discrepancies in totals due to rounding.
Source: Harris County Office of Financial Management

Authorized Debt of the Authority

The Authority has no authorized but unissued debt. The Authority may issue additional ad valorem tax obligations in the future if additional debt is authorized at an election of the authorized voters of the Authority. The Authority may also issue revenue debt without an election. See "AUTHORITY AD VALOREM TAX DEBT – Revenue Debt of the Authority" for a description of the Authority's revenue debt program.

Estimated Authority and Overlapping Ad Valorem Tax Debt

In addition to the taxing entities mentioned above, approximately 33 cities, towns and villages, 25 independent school districts, four community college districts and approximately 380 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 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	$ 87,400	
Harris County[b]	2,396,118	
Port of Houston Authority[c]	690,219	$ 3,173,737
Cities:		
Houston[d]	$ 3,058,340	
Other cities[e]	1,347,113	4,405,453
Independent School Districts, Junior College Districts and the Harris County Department of Education:[e]		15,228,593
Utility Districts:[e]		4,810,532
Total		**$27,618,315**

(a) As of May 31, 2015.
(b) Includes Flood Control District Contract Tax Bonds secured by County contract payments. Excludes all outstanding Toll Road Tax Bonds which are secured by a pledge of ad valorem taxes and a subordinate lien on toll road net revenues. No tax has ever been required to pay such bonds. See "County-Wide Ad Valorem Tax Debt Service Requirements," footnote (c).
(c) Includes the Bonds and excludes the Refunded 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 community college districts and approximately 380 utility districts located within the County.

Sources: Harris County Office of Financial Management and Municipal Advisory Council of Texas

Revenue Debt of the Authority

Revenue Bonds. In addition to the unlimited tax bonds of the Authority, the Authority may issue, from time to time, debt secured by certain revenues of the Authority other than taxes. Currently, the Authority has no outstanding revenue debt.

Interim Note Program. Pursuant to a master resolution and a first supplemental resolution, the Authority has established a senior lien note program (the "Note Program"). The Note Program is a syndicated note program that authorizes the Authority to borrow up to $300 million for authorized purposes of the Authority. The Note Program has an initial term of three years and is intended to provide interim financing for the Authority's capital improvement program. No notes are currently outstanding under the Note Program. The notes issued under the Note Program, if any, will be secured by a first lien on and a pledge of the net revenues of the Authority and the funds and accounts pledged under the master resolution and the first supplemental resolution. The notes issued under the program are not secured by the ad valorem taxes securing the Bonds. However, if approved by the voters at an election called for that purpose, the Authority may issue ad valorem tax bonds for the purposes of taking out the interim financing.

THE AUTHORITY

General

The Authority is a navigation district and independent political subdivision of the State of Texas, operating pursuant to Texas statutes, including Chapter 5007, Texas Special District Local Laws Code, as amended, and Texas Water Code Chapters 60, 61 and 62, as amended. The Authority was originally constituted in 1911 as the Harris County Houston Ship Channel Navigation District to sponsor deepening and widening of the Houston Ship Channel, and began operating terminals along the Channel in 1922. The Authority by statute operates independently of other governmental entities, except that the Commissioners Court, 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. By statute, 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; and one by the Harris County Mayors' and Councils' Association. The Chairman of the Port Commission is jointly appointed by the governing bodies of the County and the City of Houston.

The Port has been a deep draft port since 1914. The Channel, the center of the Port complex, extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's public terminals and wharves, but also includes more than 150 privately owned wharves, docks and other facilities. The Port (which includes facilities not owned by the Authority) is ranked first in the nation for foreign waterborne tonnage, and second in terms of total tonnage.

Business of the Authority

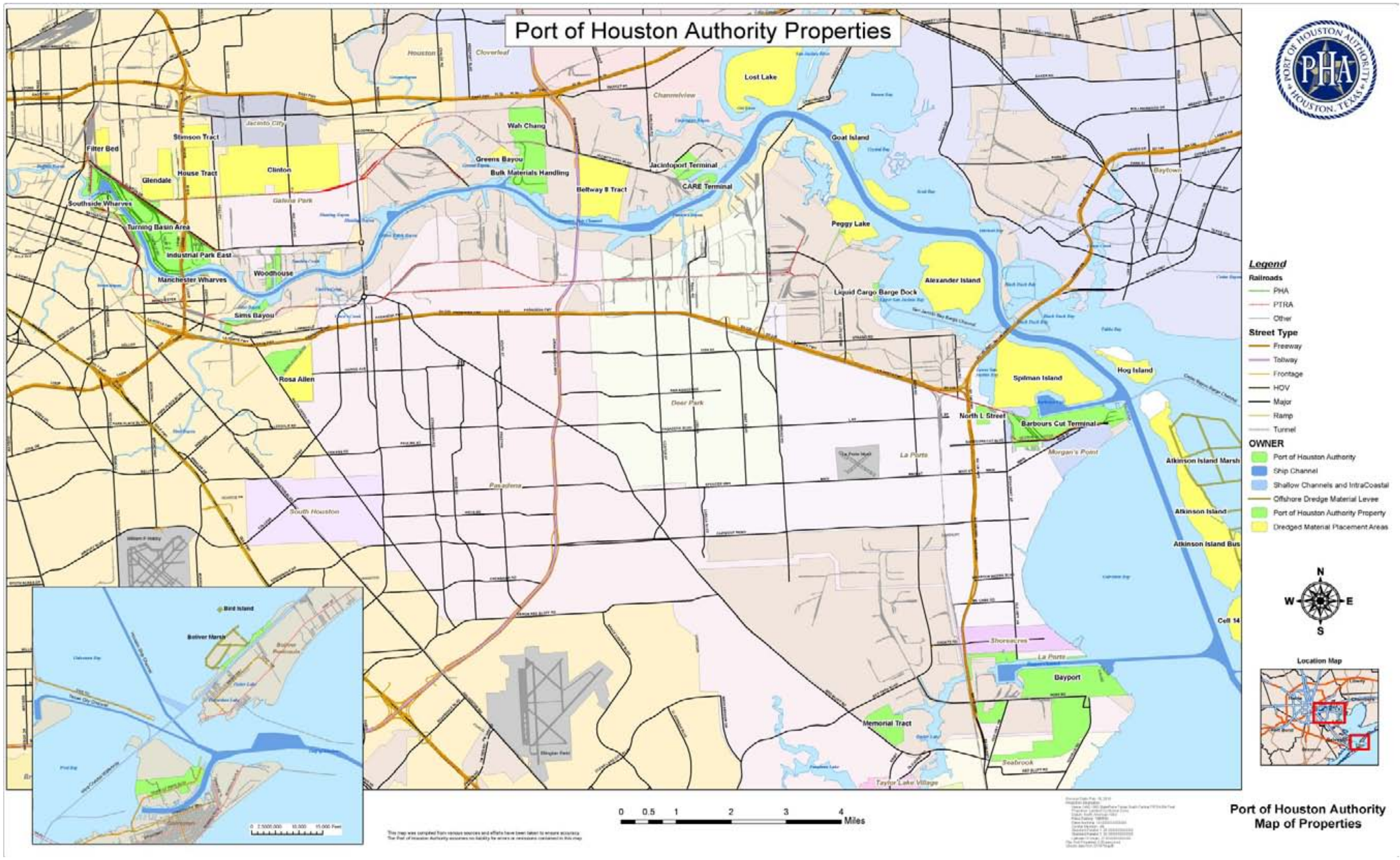
The Authority owns a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, dry and liquid bulk and project and heavy lift cargo. In addition, the Authority leases land to others, provides railroad rights-of-way for the Port 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 fiscal year 2014 were nearly $264 million, an increase of 13% from operating revenues for 2013. Revenue tonnage totaled 47 million tons in 2014, increasing approximately 4% from 2013. The Authority's container facilities experienced a record-high 19.4 million tons for the year, an increase of 1% from 2013.

Facilities owned by the Authority are either operated for hire on a first-come, first-served basis, or leased to private operators, and in some cases are subject to preferential or 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."

As of December 31, 2014, the Authority had 542 regular employees. During fiscal year 2014, the Authority also contracted for casual labor from longshoremen union halls, equating to 236 full-time equivalent employees working 40 hours a week for 52 weeks per year.

Map of Port of Houston Authority Properties and Port Facilities



Overview of Port of Houston Authority Port Facilities

The following is a general overview of the Authority's primary facilities (the "Port Facilities"). The Port Facilities are generally described in order from the west to southeast along the Channel from the Turning Basin Terminal to the Bayport Container Terminal. See "Map of Port of Houston Authority Properties and Port Facilities" for more detailed information on the locations of the Port Facilities described herein.

Houston Ship Channel. The Channel is the center of the Port complex and extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Channel serves some of the largest petrochemical terminals and refineries in the world. In August 2005, the Authority and the United States Army Corps of Engineers ("USACE") completed a Channel deepening and widening project, as a result of which the Channel was deepened from 40 feet to 45 feet, and widened from 400 feet to 530 feet. See "Authority's Capital Improvement Program – Houston Ship Channel."

Turning Basin Terminal. The Authority owns 41 breakbulk and general cargo wharves at the Turning Basin Terminal in the upper Channel area, a multipurpose complex with substantial dockside facilities, including rail, covered storage and open storage, which may be subject to freight handling assignments. Wharf 32, located within this terminal, was specifically designed for handling project and heavy lift cargoes and has 20 acres of heavy duty paved marshalling area. Various cargo storage areas within the upper level of the terminal adjoining the wharves are subject to leases. See "Authority's Capital Improvement Program – Turning Basin Terminal."

Woodhouse Terminal. The Authority's 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 that is currently under repair, and 10 acres of open storage. In addition, the facility includes 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 three-berth dry bulk terminal in the mid-Channel area. Berth 1 has a high-capacity loading crane supplied by a conveyor belt system. Berth 2 is used for lay berth only, and the third functions as a barge dock. The entire terminal is leased through June 2017.

Jacintoport Terminal. The Authority owns the Jacintoport Terminal, also 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 a month-to-month lease, and another lease scheduled to expire in February 2020, including one that provides for certain preferential berthing rights.

Care Terminal. The Authority's Care Terminal is located near the Jacintoport Terminal in the mid-Channel area, and consists of two wharves, 45,000 square feet of shed space, 15 acres of paved marshaling area, and rail access. The Care Terminal is leased through June 2017.

Barbours Cut Terminal. The Authority's Barbours Cut Terminal provides special-purpose facilities for container ships. This terminal, which opened in 1977, is located 25 miles downstream from the Turning Basin near the point where the Channel enters Galveston Bay and is three hours sailing time from the Gulf of Mexico. Barbours Cut Terminal's six berths provide 6,000 feet of continuous quay. Numerous wharf cranes for handling of containers 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. Approximately 80 acres, including Container Wharf 6, portions of Container Wharf 5 and Wharf 7 and other facilities at Barbours Cut Terminal, are currently leased to Maersk and an affiliate (collectively "Maersk"). The Authority recently negotiated a termination of the Maersk leases whereby the leased property would revert to Authority use in 2015, provided certain conditions are met. In addition, the liner service affiliate of Maersk would become a common user of the Port Facilities subject to the Authority's tariffs. When this transaction closes, the Authority will operate all of Barbours Cut Terminal, facilitating future capital improvement and more efficient use of the facility. Additionally, the Authority expects improved financial results to result from its operations at the former leased premises, as well as its handling of Maersk vessels at Bayport Container Terminal. Excluding the areas covered under the Maersk leases, Barbours Cut Terminal has current capacity for handling approximately 1,200,000 TEUs (Twenty-Foot Equivalent Units, a measure of container volume) on an annual basis. The Authority has entered into Marine Terminal Service Agreements with several shipping lines calling at Barbours Cut Terminal and Bayport Container Terminal. The Authority has begun a comprehensive project to redevelop the terminal to higher operational standards to accommodate larger container vessels. See "Authority's Capital Improvement Program – Barbours Cut Terminal."

Bayport Container Terminal. The Authority's Bayport Container Terminal also provides special-purpose facilities for container ships. This terminal became operational in January 2007 and is located approximately 5 miles south of the Barbours Cut Terminal. Currently, the Bayport Container Terminal includes 3,330 feet of wharf, 165 acres of container yard, Administration, Maintenance & Repair, Marine Emergency, and Stevedore Support buildings, 9 wharf cranes, and 27 rubber tired gantry cranes ("RTGs"). Wharf cranes for handling of containers traverse the wharves to serve ships simultaneously or singly, as required, and RTGs are in use in the Authority's marshalling areas behind container berths. Work continues on additional expansion of the facility, which when completed is expected to have seven container berths. Taken together, the existing completed development of the Bayport Container Terminal allows for the annual handling of almost 1,000,000 TEUs. See "Authority's Capital Improvement Program – Bayport Container Terminal" for a description of the additional plans for expansion of the facility.

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.

Cruise Terminal Facility. The Authority also owns a 96,000 square-foot, state-of-the-art cruise terminal facility in Pasadena, Texas adjacent to the Bayport Container Terminal. Princess Cruise Lines and Norwegian Cruise Line have executed agreements for use of that terminal for several years.

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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 along with information regarding equipment at certain sites. Such information is updated as of the Authority's most recent financial statements through December 31, 2014 (see APPENDIX A), included in the Statistical Section (unaudited), except for updated information relating to the Covered Storage at the Barbours Cut Terminal.

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

	Berth Lengths (Feet)	Water Depth Below Mean Tide (Feet)	Paved Marshalling Areas (Acres)	Covered Storage (Sq. Ft.)
Turning Basin Terminal[b]				
36 general cargo wharves	376-600	27-36[a]	36	1,150,000
5 liquid bulk wharves	226-570	33-36[a]	-	-
Wharf – 32 Project Cargo	800	37[a]	20	-
Woodhouse Terminal[c]				
Wharf 1	660	39[a]	2	-
Wharves 2 and 3	1,250	35	-	231,750
Grain Dock	600	42	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
Jacintoport Terminal				
Wharves 1 — 3	1,830	40	8	82,500
Care Terminal				
Wharf 1	500	36	10	45,000
Wharf 2	618	38	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	40	-	-
San Jacinto Barge Terminal				
Berths	200-700	16	-	-
Barbours Cut Terminal[d]				
LASH Berth	810	40	-	-
Container Berths 1 — 6	6,000	40	230	1,550,000
Passenger Berth	900	36	30	-
Bayport[e]				
Container Berths 3 - 5	3,300	40	167	-
Cruise Terminal	1,000	32	-	-

[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] On site equipment consists of five 40-long ton and four 50-long ton container cranes, thirty-two 40-long ton container yard cranes, four 20,000 pound lifters for handling empty containers, two 80,000-pound container-handling machines, 38 heavy-duty tractors, and 77 heavy-duty yard chassis are available for rent from the Authority.
[e] On site equipment consists of nine 65-long ton container cranes, thirty 40-long ton yard cranes, eight heavy duty terminal tractors, one 80,000-pound container-handling machine and 61 yard chassis.
Source: The Authority.

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 Park, a 315-acre industrial park adjacent to the Turning Basin Terminal. The East Industrial Park includes undeveloped channel frontage, and adjoins the terminal's heavy-lift cargo wharf described above. Much of this property is leased or rented to various private industries that independently maintain and operate these facilities.

The Authority 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 is committed to developing, expanding and renewing port facilities and making appropriate infrastructure investments that contribute to the economic health of the region and generate and sustain jobs. There are significant opportunities ahead. Most notably, the Panama Canal's current expansion project is expected to double the Panama Canal's capacity in 2016 by accommodating larger vessels which are expected to be as large as 12,000 TEUs. If Panama Canal traffic increases as anticipated, the Houston region should benefit from increased cargo traffic via the Panama Canal. This growth is anticipated because of the more efficient link between the Gulf of Mexico and the growing markets across multiple commodities and industries in the Pacific Rim (primarily East Asia), the west coast countries of South America, and the southern ports of Central America.

One of the anticipated increases in cargo resulting from the expansion of the Panama Canal will likely be containerized cargo. The Authority is building new facilities at the Bayport Container Terminal and redeveloping the Barbours Cut Terminal to accommodate this demand. Additionally, shipping lines are currently working with the Authority and bringing in larger container vessels to the Port. Since 2011, Authority terminals have received ships with capacities to carry over 8,000 TEUs. These Super Post Panamax vessels require significant infrastructure investment, which investment includes improvements within the terminals as well as improvements in the tributary channels that adjoin them. With these larger ships and increased cargo volumes, the Authority is expanding and diversifying its efforts to obtain adequate funding both for terminal construction and improvement, and for the maintenance and operation of the Channel, the Bayport Channel and the Barbours Cut Channel.

For example, the cost of dredging to widen and deepen the Bayport Channel and Barbours Cut Channel to accommodate larger vessels after the Panama Canal expansion is approximately $80 million. Under normal circumstances, this would be borne primarily by federal appropriations to the U.S. Army Corps of Engineers ("USACE"); however, its timeline would not meet the Panama Canal's target completion date. Therefore, the Authority decided to bear the full cost of this project.

During 2014, the Authority invested $105 million in capital improvements, of which $11 million was funded using proceeds of unlimited tax bonds issued in prior years. The balance was funded primarily from the Authority's general fund and also from grant monies received from federal and other governmental programs.

The following information generally describes the Authority's Capital Improvement Program and major initiatives at its Port Facilities. The Authority continuously evaluates its strategic plans to ensure a competitive position in the market, with an emphasis on leading the market with high service levels to carriers and customers, by optimizing expansion and redevelopment activities. The Authority is exploring various alternatives and expects to seek additional financing in order to grow the Port, meet the capital needs of both the Port and the Authority, and not unduly burden the citizens of the County.

Projected Capital Spending Plan
(in thousands)

	2015	2016	2017
Container Terminals	$ 86,773	$160,562	$149,446
Turning Basin Terminals	28,893	50,150	21,125
Channel Development	48,330	5,040	11,260
Bayport Railroad	20,834	9,240	6,051
Other	20,289	13,762	16,652
Total New Capital Investment	$205,119	$238,754	$204,534

Source: The Authority, as of April 30, 2015.

Houston Ship Channel. As noted in "THE AUTHORITY – Port Facilities of the Authority," the initial construction phase of the Channel deepening and widening project was completed in August 2005. The continuing cost of the project over its 50-year life is expected to be $705.2 million, including operations and maintenance, to be shared by the federal government, the Authority and other nonfederal interests. Federal funding for the project must be approved through individual appropriations bills each fiscal year.

As part of the Channel project, the Authority will create approximately 3,000 acres of marsh in Galveston Bay, a bird island and boater destination. This beneficial use project using dredged material is the largest marsh creation project in the region, and is being conducted with cooperation and support from local resource agencies.

The Channel project requires annual maintenance dredging using federal funds. To provide for the capacity needs for such dredging, and other additional capacity needs in the Channel, the Authority has designed deferred construction elements to be included in future fiscal year construction programs. These projects will be cost shared. The Authority also continues working closely with the Beneficial Use Group comprised of the Authority, the USACE and six federal and state natural resource agencies to complete and manage the marshes.

Turning Basin. To add to the economic value of the Authority's Turning Basin operations, construction is underway to repurpose aging facilities, and to expand capacity at the 115 acre East Industrial Park area. The Authority has commenced work to add an additional 18 acres of concrete laydown yard next to Wharf 32. The Authority has also begun work to demolish aged and obsolete assets at the Turning Basin, for the purpose of redevelopment of prime waterfront property and other real estate assets. An assessment of docks at the general cargo facilities is ongoing in order to determine if repairs are necessary and if potential improvements would enable incremental commerce and provide an economic return for the Authority.

Bayport Container Terminal. The Bayport Container Terminal is located on an industrial complex in southeast Harris County, and is linked by the Bayport Channel to the Channel. Bayport's proximity to the Barbours Cut Terminal benefits the customers at the Bayport Container Terminal due to competitive rail and trucking charges and affordable ancillary services.

The Authority continues the development of the Bayport Container Terminal to accommodate the expanding needs of existing and new customers. Bayport Channel improvements, which will increase the depth of the Bayport Channel to 45 feet and widen the Bayport Channel to 350 feet at the channel's base, are expected to be complete by the fall of 2015. In addition, the Authority continues work on entry and exit gate facilities and related improvements to Port Road, and plans to commence several wharf and yard expansion projects in 2016. At completion, the Bayport Container Terminal 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 TEUs.

The wharf expansion project will provide a total of 4,000 feet of additional wharf and create capacity for three additional Super Post Panamax wharf cranes, increasing the terminal total to 12. The Authority was awarded a

$10 million Transportation Investment Generating Economic Recovery ("TIGER") grant by the U.S. Department of Transportation to be used toward the Bayport Container Terminal wharf expansion project.

Planning of the next section of the Bayport Container Terminal is underway and includes the design of Wharves 2 and 6, which would add 1,660 feet of wharf, and the design of 50 acres of container yard 6. Six additional wharf cranes and 18 RTGs are planned to support the new wharves and container yard. Container Yard 6 North is currently under construction and will consist of 26 acres upon completion, currently scheduled in 2016.

Subsequent development at the Bayport Container Terminal is currently planned to include two additional 1,000 feet wharves and the remainder of the container yards, 6 more wharf cranes, 18 more RTGs, an intermodal rail yard, and one or more container freight stations. These projects will be further developed as market demand and opportunities arise.

The first phase of the Entry/Exit Gate project at Bayport has been completed with a new 36-acre entry facility south of Port Road and the conversion of the gate facility north of Port Road to an exit facility. These dedicated gate facilities, along with widening of Port Road and construction of another overpass, minimizes the mixing of truck traffic with automobile traffic, and provides a safer traffic environment.

The entire Bayport Container Terminal project, to be completed over an estimated 15 to 20 year period according to market demand, is currently estimated to cost approximately $1.8 billion.

Barbours Cut Terminal. At Barbours Cut Terminal, the Authority is working toward completion of the first phase of wharf redevelopment with the commissioning of four new ship-to-shore cranes that arrived in May 2015. These four Super Post Panamax wharf cranes, similar to the configuration of those at the Bayport Container Terminal, are a major component to the revitalization of the Barbours Cut Terminal and provide the capability to service the growing vessel size of the industry. The Barbours Cut Channel improvements, which are running concurrently with the Bayport Channel improvements, will deepen the federal channel and berth depths by five feet to 45 feet and are expected to be complete in the summer of 2015. The second phase of container yard rehabilitation, which consisted of approximately 10 acres of container yard, was completed in April 2015. This yard rehabilitation provided additional ground storage capacity to the terminal and increased the yard density and overall throughput of the facility.

The next phases of yard development are under detail design. Excluding areas currently under the Maersk leases, it is estimated that the capital investment required for improvements at the Barbours Cut Terminal over the next 10 years is approximately $700 million. The next phase of the Barbours Cut Terminal project includes rehabilitation of two wharves, container yard improvements, purchase of 8 RTGs, installation of new electrical transmission lines, as well as six (6) ship-to-shore wharf cranes, weighing 1,505 tons each. The new cranes are 289 feet high with a lift height of 204 feet, and are capable of handling ships 22 containers wide.

Repurposing warehouse and freight handling areas for container stacking, and rebuilding aging infrastructure to support higher cargo velocities will eventually allow expansion of Barbours Cut Terminal capacity to reach as much as 2,500,000 TEUs annually. The redevelopment will be conducted in phases in order to maintain current operating capacity during construction activities. The capital improvement plan and cost estimates described in this section do not include the areas covered under the Maersk leases. Assuming the Maersk leases are terminated, the Authority expects that the areas previously subject to those leases would incur maintenance and operating costs in the next three to five years before the Authority would begin to undertake major capital redevelopment of those facilities.

Bayport and Barbours Cut Channel Improvements. The Authority has recently committed to partner in a three-year federal study of further improvements of the Bayport Channel and Barbours Cut Channel, and improvements to the upper reaches of the Channel – potentially the first modifications of the upper Channel area in over 50 years.

Annual Cargo Amounts

The following table shows the amount of cargo handled by the entire Port (which includes facilities not owned by the Authority) for each of the years 2005-2013. The entire Port ranks first in foreign tonnage and second in total tonnage as compared to other United States ports. The information in the table below is compiled and published by the U.S. Army Corps of Engineers and the U.S. Department of Commerce.

ANNUAL CARGO AMOUNTS
(in thousands)

Year	Short Tons
2013	229,246
2012	238,185
2011	237,798
2010	227,133
2009	211,341
2008	212,207
2007	216,064
2006	222,147
2005	211,665

Source: U.S. Army Corps of Engineers/U.S. Department of Commerce.

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The following table shows the amount of cargo handled by facilities owned by the Authority for each of the fiscal years ended December 31, 2010 through December 31, 2014.

TABLE 8 – AUTHORITY CARGO STATISTICS (UNAUDITED)
(in thousands of short tons)

	2014	2013	2012	2011	2010
Total Revenue Tonnage					
Including Bayport companies[(a)]	46,637	44,669	44,035	42,441	40,246
Excluding Bayport companies	37,620	35,825	35,059	33,549	31,317
General Cargo[(b)]	26,854	24,735	25,278	23,387	20,809
Bulk Materials Handling Plant	5,191	5,152	4,692	4,210	4,670
Grain Elevator #2	2,311	2,264	1,294	2,371	2,042
Other Bulk Movements					
Excluding Bayport companies[(c)]	3,265	3,675	3,796	3,582	3,796
Including Bayport companies	9,016	8,843	8,975	8,892	8,929
Barbours Cut Terminal					
Bulk[(c)]	-	-	-	-	3
General cargo[(b)]	11,100	10,559	10,117	9,493	9,598
Bayport Container Terminal					
General cargo[(b)]	6,977	7,265	7,355	7,365	6,568
Steel[(b)]					
Import	6,343	4,350	5,093	3,674	2,296
Export	236	303	391	626	425
Autos - Turning Basin					
Tons – import[(b)]	129	143	176	124	110
Tons – export[(b)]	13	21	28	27	26
Units – import	63	71	94	65	59
Units – export	5	8	11	13	12
Bagged Goods[(b)]					
Import	65	53	137	309	50
Export	57	191	88	198	206
Container TEU	1,951	1,950	1,935	1,866	1,817

(a) The Bayport companies are privately owned facilities located at the Bayport industrial complex that pay the Authority harbor fees and certain other payments based on tonnage for use of the Bayport channel.
(b) Tonnage included in General Cargo above.
(c) Tonnage included in Bulk Cargo above.
Source: The Authority.

Administration

Roger D. Guenther – Executive Director.

Roger D. Guenther was named the Executive Director of the Authority in January 2014. Mr. Guenther has 27 years of experience at the Authority, where he previously served as Deputy Executive Director of Operations and was responsible for all container and breakbulk cargo operations, management and construction of capital development projects, facility and asset maintenance, and real estate interests.

Since joining the Authority in 1988, Mr. Guenther has served in various capacities related to facilities management, including master planning of the Bayport Container Terminal, redevelopment of the existing Barbours Cut Terminal, and procurement of all container handling cranes and equipment over the last two decades.

Mr. Guenther earned a Bachelor of Science degree in Mechanical Engineering from Texas A&M University and has an MBA in International Trade and Finance from the University of St. Thomas. Prior to joining the Port of Houston Authority, Mr. Guenther was an engineer with Emscor, Inc. in Atlanta, Georgia. Mr. Guenther currently serves on the Port Authority Advisory Committee to the Texas Department of Transportation.

Thomas J. Heidt – Chief Operating Officer.

Thomas J. Heidt was named Chief Operating Officer for the Authority in June 2015. He has oversight responsibility for seven major areas: Finance, Commercial, Port Operations, Infrastructure, Technology, People, and Health, Safety, Security and Emergency Management ("HSSE").

Mr. Heidt began his 33-year career at the Authority in the Accounting Department, including management positions in Payables, Customer Billing Services and Financial Accounting. From 1993 to 2005, he was the Market Development Manager in the Trade Development Division with responsibility for identifying opportunities and vulnerabilities in the Authority's markets. In 2005, Mr. Heidt became the Planning Manager – Container Terminals, where he oversaw the operating and capital budgets of those terminals. In October 2009, he was named Director of Finance and Administration and in November 2012, Deputy Executive Director of Finance and Administration.

Mr. Heidt holds a bachelor's degree in finance from Michigan State University. He has received certification in the Professional Port Management program from the American Association of Port Authorities, and belongs to numerous trade and traffic organizations.

Erik A. Eriksson – Chief Legal Officer.

Erik A. Eriksson serves as Chief Legal Officer of the Authority, overseeing its Legal, Government Affairs, Pilot Administration, and Records Management functions. Prior to joining the Authority in 2005, Mr. Eriksson held successively more responsible legal and management positions at a multi-billion dollar publicly-listed holding company. A graduate of Columbia University and Harvard Law School, Mr. Eriksson is a member of the bar in Texas, California, and New York.

Tim Finley – Chief Financial Officer.

Tim Finley was named Chief Financial Officer of the Authority in June 2015, with oversight responsibility for Accounting, Treasury, Financial Planning, Procurement Services, and Risk Management. He joined the Authority in 2010 as Assistant Controller, and was named Controller in January 2013 responsible for the financial reporting and general accounting functions.

Prior to joining the Authority, Mr. Finley held various leadership roles in business finance over a 21-year period for the Hewlett-Packard Company ("HP"), including Finance Director for Americas Server and Storage business and Vice President, Finance for HP's global commercial desktop and display division. Mr. Finley served as the Business Ethics officer for HP's Personal Computing business group for a 3-year period. Before joining HP, Mr. Finley was with Ernst & Young in the audit services group.

Mr. Finley earned a bachelor's degree in Accounting from Stephen F. Austin State University and holds a Certified Public Accountant license from the State of Texas and the designation of County Investment Officer Level I as issued by the Texas Association of Counties.

Ramon Yi – Senior Director, Treasury.

Ramon Yi is Senior Director, Treasury, for the Authority. He has primary responsibility for cash, debt and investment management, banking and rating agency relationships, and pension and benefit finance.

Mr. Yi has more than 35 years of finance, credit and risk management experience in a variety of industries, including the energy, healthcare and high-tech sectors. Prior to joining the Authority in September 2010, he held positions in large multinational corporations, including Vice President and Treasurer for Transocean and Treasurer for Ensco, both global providers of contract drilling services, Treasurer for Sunrise Medical and Fresenius Medical Care, both manufacturers of medical devices and equipment, and Treasurer for Symbios, a manufacturer of semiconductor chips.

Mr. Yi graduated cum laude from Harvard and earned an MBA degree with honors from Boston University. He holds the designation of Certified Cash Manager and is Chairman of the Board of Directors of the National Association of Corporate Treasurers.

Maxine N. Buckles, Senior Director, Internal Audit.

Maxine N. Buckles is Senior Director, Internal Audit, for the Authority, and has been designated as Chief Audit Executive by the Port Commission. She is responsible for the planning and execution of operational, financial and compliance audits to evaluate the effectiveness of internal controls, as well as monitoring and coordination of all Authority audit activity.

Ms. Buckles' prior experience includes three years as the Authority's Controller with responsibility for financial accounting and reporting functions, including management and regulatory reporting, accounts receivable, accounts payable, payroll, and customer credit monitoring, as well as oversight of annual independent financial audits; five years as Senior Financial Consultant with Opportune LLP, an energy consulting firm; four years as Chief Financial Officer of the Electric Reliability Council of Texas ("ERCOT") in Austin, Texas, where she oversaw all of ERCOT's financial operations, including corporate finance, treasury, credit, accounting, purchasing and financial reporting; and five years as Chief Financial Officer and Treasurer of the Plantation Pipe Line Co. (an ExxonMobil/Kinder Morgan joint venture) in Atlanta, Georgia.

Ms. Buckles, a Certified Public Accountant, began her career in public accounting with a major firm, and has held a number of senior-level financial positions primarily within energy-related entities. She holds a Bachelor of Science degree in Accounting with honors from Xavier University of Louisiana and an MBA with emphasis in Accounting from Tulane University. She is also a member of several professional organizations, including the Institute of Internal Auditors and Financial Executives International.

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 Commission of the Authority. Both State law and the Authority's investment policies are subject to change.

The Senior Director, Treasury of the Authority serves as Investment Officer responsible for investment of all funds of the Authority. The Authority and the County have separate investment portfolios that are not commingled into a single pool of investments. First Southwest Asset Management, Inc. has been engaged to provide investment advisory services to the Authority, which may include advice on the Authority's written investment policies and investment of bond proceeds associated with these Bonds.

Legal Investments

Available Authority funds are invested as authorized by Texas law and in accordance with investment policies approved by the Authority. Both Texas law and the Authority's investment policies are subject to change. In accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA"), the Authority is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations 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 and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the

State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (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) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Authority deposits, or (ii) where (a) the funds are invested by the Authority through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the Authority as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Authority; (b) the broker or the depository institution selected by the Authority arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Authority appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, 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 have a dollar weighted average stated 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, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations 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, and (13) public funds investment pools that have an advisory board which includes participants in the pool 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. Texas law also permits the Authority to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the PFIA.

A political subdivision such as the Authority may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Authority, held in the Authority's name and deposited at the time the investment is made with the Authority or a third party designated by the Authority; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The Authority may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. The Authority may also contract with an investment management firm registered under the Investment Advisers Act of 1940 or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Authority retains ultimate responsibility as fiduciary of its assets. The Authority is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal, (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest, (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Additional Provisions

Under Texas law, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Authority funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Authority funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas 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." At least quarterly the investment officers of the Authority submit an investment report detailing: (1) the investment position of the Authority, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value and the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Authority funds without express written authority from the Port Commission.

Under Texas law the Authority is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Port Commission; (4) require the registered principal of firms seeking to sell securities to the Authority to: (a) receive and review the Authority's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Authority's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the Authority's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt services, and to invest no portion of bond proceeds, reserves and funds held for debt service in mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Authority.

Current Investment Distribution

At March 31, 2015, the market value of the Authority's investment portfolio was $460 million. 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 445 days based on par value. A large portion of the Authority's investments in U.S. Government Agencies securities and municipal bonds are callable.

TABLE 9 – CURRENT INVESTMENT DISTRIBUTION[a]

Interest Bearing Bank Deposits[b]	27.4%
Money Market Mutual Funds (including Local Government Investment Pools)	0.0%
U.S. Government Agencies Securities	41.2%
Municipal Bonds	10.2%
Commercial Paper	21.2%
TOTAL	100.0%

[a] Unaudited information as reported by the Authority as of March 31, 2015.
[b] Collateralized in accordance with the Public Funds Collateral Act, Chapter 2257, Texas Government Code.
Source: The Authority.

RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Defined Benefits Plan

The Authority sponsors the Port of Houston Authority Restated Retirement Plan ("Plan"), a single-employer defined benefit plan covering eligible employees hired prior to August 1, 2012. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan described below. The Plan is a governmental plan not subject to the federal Employee Retirement Income Security Act of 1974 ("ERISA"), and contributions are solely made by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. Compass Bank serves as trustee of the Plan. The Plan issues a standalone financial report that is available on the Authority's website (www.portofhouston.com). The Authority's payroll for employees covered by the Plan for the fiscal years ended July 31, 2014 and 2013 was $31,377,000 (69% of the total payroll of $45,075,000) and $33,690,000 (75% of the total payroll of $44,693,000), respectively.

Plan participants become vested after completion of five (5) years of employment. Vested employees are eligible to receive benefits upon Normal Retirement, Early Retirement, or Late Retirement (capitalized terms in this paragraph are from the Plan documents). The Plan also provides for disability and survivor death benefits. The Normal Retirement Benefit (equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years) is payable monthly for a minimum of five years certain and for life thereafter, with other payment options available, if an employee retires on the Normal Retirement Date after attaining age 65. The Early Retirement Benefit is available 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 for both Early Retirement and Late Retirement. Vested employees whose employment ends for reasons other than for retirement, disability, or death, receive a pension benefit upon reaching the Normal Retirement Date or Early Retirement Date.

The Authority's funding policy is to make cash contributions to the Plan in amounts computed by the Plan's independent actuary using the entry age normal cost method and includes amortization of the unfunded accrued liability over a 30-year period. The Authority contributed $8,282,000 and $9,870,000 during the Plan's fiscal years ending July 31, 2014 and 2013, respectively. At the time of an actuarial valuation dated August 1, 2014, the funded ratio of the Plan was 104.4%. For additional information on the Plan, actuarial assumptions and contributions, see APPENDIX A – AUDITED FINANCIAL STATEMENTS of the Authority, Note 8.

Defined Contribution Plan

In July of 2012, the Port Commission authorized creation of the Port of Houston Authority Defined Contribution Plan ("DC Plan"), a contributory benefit plan covering all permanent, full-time employees hired on or after August 1, 2012. The Authority manages the operation and administration of the DC Plan and the Authority's Deputy Executive Director of Finance and Administration serves as trustee. The Port Commission maintains the authority to amend the DC Plan provisions, including revisions in contribution requirements and investment alternatives offered to employees.

The DC Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions are tax-deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual retirement accounts to the DC Plan. The Authority, as Plan Sponsor, may make Employer Contributions to the DC Plan at its discretion. Contributions from the Authority to an employee's account are based on a percentage of base salary. The Authority contributed $161,000 and $39,000 during the DC Plan's fiscal year ending July 31, 2014 and 2013, respectively. For additional information on the DC Plan, see APPENDIX A – AUDITED FINANCIAL STATEMENTS of the Authority, Note 8.

Other Post-Employment Benefits

It is the current policy of the Authority to provide certain post-employment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). At December 31, 2014 and 2013, there were 329 and 328 retirees, respectively, who were eligible for these benefits. The Authority funds all of the premiums for retiree life insurance and the majority of the health insurance premiums. Continuation of these benefits and the Authority's contributions to the trust are dependent on periodic authorization by the Port Commission.

The health insurance benefits provided to pre-Medicare retirees are the same as those offered to active employees. In addition, Medicare-eligible retirees have the option of enrolling in Medicare Risk plans offered by the Authority or securing their own insurance and receiving a monthly reimbursement from the Authority for a portion of the cost. 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 and is valued at a flat $5,000, $10,000 or $15,000. Effective January 1, 2010, new hires become eligible for Postemployment Benefits after completion of 12 years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the Authority are eligible for Postemployment Benefits. An eligible employee may elect coverage for his or her dependents. Disabled employees are covered in the Port of Houston Authority Group Health Plan from the date of disability. The widow/widower of a retiree who has health care coverage through the Authority may continue coverage upon the death of the retiree.

The Authority's contribution is based on projected pay-as-you-go basis, which is expected to continue. For the years ended December 31, 2014 and 2013, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,034,000 and $2,584,000, respectively. Retiree life-benefit costs for 2014 and 2013 were $140,000 and $148,000 respectively.

During 2011, the Authority entered a multiple-employer pooled account trust designed to prefund postemployment benefits for the Authority's eligible retired employees and their eligible dependents. The PEB Trust Board of Trustees served as the trustee for the trust assets. In February of 2015, the Authority established a new, standalone trust for OPEB assets and transferred all holdings from the multiple employer pooled account with PEB Trust of Texas into this new trust with Compass Bank acting as trustee.

In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $32,000,000 to the trust through December 31, 2014. For additional information on the annual OPEB cost and net OPEB obligation, actuarial assumptions and contributions, see APPENDIX A – AUDITED FINANCIAL STATEMENTS of the Authority, Note 9.

REGULATION AND LITIGATION

Environmental Regulation

The Authority is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the Authority may be required to expend substantial funds to meet the requirements of such regulatory authorities.

Air Quality. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act Amendments of 1990, the eight county Houston Galveston Brazoria Area ("HGB Area") has been designated by the EPA as a severe non-attainment area under the EPA's ozone standards. Such areas are required to demonstrate progress in reducing ozone concentrations each year until compliance with EPA's standards is achieved. To provide for annual reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limitations on emissions of volatile organic compounds and nitrogen oxides ("NOx") from existing stationary sources of air emissions and more stringent air emissions controls may be necessary in order for the HGB Area to achieve compliance with ozone standards. Increasingly, stringent controls on sources of air emissions in the HGB Area could make the Houston area a less attractive location to do business in comparison to other areas of the country that do not impose similar stringent emissions controls. If the HGB Area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA's one-hour and eight-hour ozone standards by the initial deadline for serious non-attainment areas (June 15, 2019), EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of hydrocarbon emissions for which construction has not already commenced.

Other constraints on economic growth and development include lawsuits filed under the Clean Air Act by plaintiffs seeking to require emission reduction measures that are more stringent than those adopted by TCEQ and approved by EPA. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

The Authority continues to work towards improving air quality in the Houston-Galveston Area with air emission reductions of NOx and VOC through off-road and on-road truck fleet updating. The Authority has won two grant awards pursuant to the Diesel Emissions Reduction Act ("DERA") to support a drayage truck replacement program in order to promote emission reduction. The Authority has also partnered with the Houston-Galveston Area Council ("H-GAC"), a voluntary association of local governments, on the Voluntary PM2.5 Advance Path Forward Plan submitted to the EPA to help the area stay in attainment of the PM2.5 standard for particulate matter. In addition, the Authority's Clean Air Strategy Plan ("CASP") is a multi-source, multi-pollutant program initiated in 2009 to reduce emissions from maritime and associated maritime transportation sources. The CASP goals and objectives continue to be evaluated to measure progress toward these goals and to update the CASP as needed.

Area Topography and Land Subsidence

The land surface in certain areas of the County has subsided several feet over the past 75 years 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 additional 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 ("Subsidence District") to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, has required most suppliers of water to reduce consumption of groundwater and to convert their primary source of supply to surface water.

With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. However, Subsidence District regulations that require conversion to surface water can be costly to industries, municipalities and other water suppliers since the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. The per unit cost of supplying surface water is substantially higher due to the greater cost of treatment and transportation. In response to the Subsidence District's requirements, local municipalities within the County, water authorities and water districts have initiated several measures and programs to provide treated surface water in the region, including the negotiation and execution of water supply contracts and capital cost sharing agreements to support the development and expansion of water purification plants in the region.

Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of storm events and hurricanes. The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities. Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Pending Litigation and Claims

The following matter is considered by the Authority to be material for purposes of this Official Statement. Uncertainties are inherent in the final outcome of this matter, and it is presently impossible to determine its resolution and the costs that may ultimately be incurred in connection with such resolution. 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 in connection with them that may ultimately 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 a 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 with Zachry in June 2004 for the construction of the initial dock at Bayport. Zachry originally intended to construct the dock "in the dry" behind an earthen cofferdam, which was to be made rigid and water impermeable through soil freezing technology.

In general, Zachry sought to fault the Authority for Zachry's decision to abandon the plan to freeze the cofferdam and complete the work "in the wet." Zachry also claimed that the Authority wrongfully withheld $2,600,000 in liquidated damages. The Authority disputed all of Zachry's contentions.

The case proceeded to trial in October 2009 and in April 2010, the trial court entered judgment in favor of Zachry on its claims totaling $19,993,000, with prejudgment interest totaling $3,451,000. The Authority and Zachry cross-appealed the lower court's judgment.

In 2012, the court of appeals ruled that: (1) Zachry's breach of contract claim was barred by the "no-damages for-delay" provision in the contract; (2) the evidence was factually and legally sufficient to support the $970,000 offset that the Authority obtained for Zachry's work on the wharf fenders; and (3) an award of $10,500,000 in attorneys' fees to the Authority is supported by factually sufficient evidence.

In September 2012, Zachry filed a petition for review with the Texas Supreme Court. The court granted review in August 2013, and oral argument took place in November 2013.

In August 2014, the Texas Supreme Court reversed the Court of Appeals on its rulings (1) (finding that the "no-damages-for delay" provision was unenforceable) and (3) above. It additionally found that Zachry was entitled to recover $2,360,000 withheld by the Authority as liquidated damages. Finally, the court remanded the case back to the Court of Appeals for consideration of other issues raised by the Authority.

Due to the continued pendency of the case, the Authority determined that recognition of a loss contingency in the financial statements was appropriate. The Authority intends to continue to vigorously prosecute the appeal.

BONDHOLDERS' REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the County or the Authority to perform in accordance with the terms of the Order 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 Order. Furthermore, the Order does 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 Order. 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 would be subject to a jurisdictional challenge because of governmental immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Commissioners Court to levy, assess and collect an annual ad valorem tax for the Authority sufficient to pay principal of and interest on the Bonds as it becomes due or to compel the County or the Authority to perform other material terms and covenants contained in the Order. 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 Bondholders 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 Order 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 MATTERS

Tax Exemption—Series 2015A Bonds

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Series 2015A Bonds is excludable from gross income for federal income tax purposes and (ii) the Series 2015A Bonds are not "private activity bonds" under the Code, and, as such, interest on the Series 2015A Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Series 2015A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Authority has covenanted in the Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Series 2015A Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the Port fails to comply with the covenants in the Order or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Series 2015A Bonds could become includable in gross income from the date of delivery of the Series 2015A Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Series 2015A Bonds, is included in a corporation's "adjusted current earnings," ownership of the Series 2015A Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2015A Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2015A Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Port as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Series 2015A Bonds could adversely affect the value and liquidity of the Series 2015A Bonds regardless of the ultimate outcome of the audit.

Tax Exemption—Series 2015B Bonds

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Series 2015B Bonds is excludable from gross income for federal income tax purposes, except with respect to interest on any Series 2015B Bond for any period during which such Series 2015B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" or a "related person" to such a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2015B Bonds, and (ii) the Series 2015B Bonds are "private activity bonds" under the Code and, as such, interest on the Series 2015B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Series 2015B Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Service. The Authority has covenanted in the Series 2015B Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Series 2015B Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the Report regarding the mathematical accuracy of certain computations. If the Authority fails to comply with the covenants in the Order or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Series 2015B Bonds could become includable in gross income from the date of delivery of the Series 2015B Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also 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 the individual's regular income tax. Generally, the alternative minimum tax rate for individuals is 26% of so much of such taxable excess as does not exceed $175,000 (as adjusted for inflation) plus 28% of so much of such taxable excess as exceeds $175,000 (as adjusted for inflation). The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative 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 Series 2015B Bonds, issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the Series 2015B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2015B Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of result and is not binding on the Service; rather, such opinion represents Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2015B Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Port as the taxpayer and the owners may not have a right to participate in such audit. Public awareness of any future audit of the Series 2015B Bonds could adversely affect the value and liquidity of the Series 2015B Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations for the Series 2015A and Series 2015B Bonds

Collateral Tax Consequences. Prospective purchasers of the Series 2015A and 2015B Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Series 2015A and 2015B Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Series 2015A and 2015B Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2015A and 2015B Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of all or a portion of the Series 2015A and 2015B Bonds may exceed the stated redemption price payable at maturity of such Series 2015A and 2015B Bonds. Such Series 2015A Bonds and 2015B (the "Premium Series 2015 Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Series 2015 Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Series 2015 Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Series 2015 Bond by the initial owner. 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 Series 2015 Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Series 2015 Bond) is determined using the yield to maturity on the Premium Series 2015 Bond based on the initial offering price of such Premium Series 2015 Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Series 2015 Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Series 2015 Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Series 2015 Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Series 2015 Bonds.

Tax Accounting Treatment of Original Issue Discount. The issue price of all or a portion of the Series 2015A and 2015B Bonds may be less than the stated redemption price payable at maturity of such Series 2015A and 2015B Bonds (the "Original Issue Discount Series 2015 Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Series 2015 Bond, and (ii) the initial offering price to the public of such Original Issue Discount Series 2015 Bond constitutes original issue discount with respect to such Original Issue Discount Series 2015 Bond in the hands of any owner who has purchased such Original Issue Discount Series 2015 Bond in the initial public offering of the Series 2015 Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Series 2015 Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Series 2015 Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on "Tax Exemption-Series 2015B Bonds," the Series 2015A and Series 2015B Bonds under the captions "Tax Exemption—Series 2015A Bonds," "Tax Exemption-Series 2015B Bonds," and "Additional Federal Income Tax Considerations" for the Series 2015A and Series 2015B Bonds" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Series 2015 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Series 2015 Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Series 2015 Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Series 2015A and 2015B Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Series 2015 Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Authority nor Bond

Counsel has made any investigation or offers any comfort that the Original Issue Discount Series 2015 Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Series 2015 Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2015A and 2015B Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Series 2015 Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less, and (ii) the amounts payable as current interest during such accrual period on such Series 2015A and 2015B Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Series 2015 Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Series 2015 Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Series 2015 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Series 2015 Bonds.

Tax Legislative Changes. Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Series 2015A and 2015B Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2015A and 2015B Bonds. Prospective purchasers of the Series 2015A and 2015B Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Material United States Federal Income Tax Matters—Series 2015C Bonds

General. The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Series 2015C Bonds by an initial U.S. bondholder (as defined below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the Authority nor Bond Counsel offers any assurance that the Service will not challenge one or more of the tax consequences described in this discussion, and neither of the Port nor Bond Counsel has obtained, nor do the Authority or Bond Counsel intend to obtain, a ruling from the Service or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Series 2015C Bonds.

This discussion is limited to U.S. bondholders who purchase the Series 2015C Bonds in this initial offering for a price equal to the issue price of the Series 2015C Bonds (i.e., the first price at which a substantial amount of the Series 2015C Bonds is sold for cash other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Series 2015C Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. bondholders (as defined below) whose functional currency is not the U.S. dollar;

- persons holding the Series 2015C Bonds as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction;
- certain U.S. expatriates;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Series 2015C Bonds, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership acquiring the Series 2015C Bonds should consult his/her own tax advisor about the U.S. federal income tax consequences of acquiring, holding and disposing of the Series 2015C Bonds.

INVESTORS CONSIDERING THE PURCHASE OF THE SERIES 2015C BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2015C BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

In certain circumstances (see "DESCRIPTION OF THE BONDS—Redemption—Optional Redemption of the Series 2015C Bonds with Make-Whole Premium") the Port may be obligated to pay amounts on the Series 2015C Bonds that are in excess of stated interest or principal on the Series 2015C Bonds. The Authority does not intend to treat the possibility of paying such additional amounts as (i) affecting the determination of the yield to maturity of the Series 2015C Bonds, (ii) giving rise to original issue discount or recognition of ordinary income on the sale, exchange or redemption of the Series 2015C Bonds or (iii) resulting in the Series 2015C Bonds being treated as contingent payment debt instruments under the applicable Treasury Regulations. The Authority's treatment will be binding on all bondholders, except a bondholder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the bond was acquired. The Authority's position is not, however, binding on the Service, and if the Service were to successfully challenge this position, a bondholder might be required to accrue interest income at a higher rate than the stated interest rate on the Series 2015C Bonds, and to treat as ordinary interest income any gain realized on the taxable disposition of notes. The remainder of this discussion assumes that the Series 2015C Bonds will not be treated as contingent payment debt instruments. Bondholders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Series 2015C Bonds.

Tax Consequences to U.S. Bondholders. As used herein "U.S. bondholder" means a beneficial owner of a Bond and who or that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

Interest on the Series 2015C Bonds. A U.S. bondholder will be required to include any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes. If a U.S. bondholder is a cash method taxpayer, such holder must report interest on the Series 2015C Bonds as ordinary income when it is received. If a U.S. bondholder is an accrual method taxpayer, such holder must report the interest on the Series 2015C Bonds as ordinary income as it accrues.

Disposition of the Series 2015C Bonds. A U.S. bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2015C Bond. This gain or loss will equal the difference between the U.S. bondholder's adjusted tax basis in the Series 2015C Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such bondholder has not previously included such amounts in income) by the bondholder. A U.S. bondholder's adjusted tax basis in the Series 2015C Bonds will generally equal the amount the U.S. bondholder paid for the Series 2015C Bonds. The gain or loss will be long-term capital gain or loss if the bondholder held the Series 2015C Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Additional Tax on Investment Income. An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the Series 2015C Bonds, less certain deductions. U.S. bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.

Tax Consequences to Non-U.S. Bondholders. As used herein, a "non-U.S. bondholder" means a beneficial owner of Bonds that is an individual, corporation, estate or trust that is not a U.S. bondholder.

Interest on the Series 2015C Bonds-Portfolio Interest. Payments to a non-U.S. bondholder of interest on the Series 2015C Bonds generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. bondholder properly certifies as to the non-U.S. bondholder's foreign status as described below, and:

- the non-U.S. bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the Authority (actually or constructively); and

- the non-U.S. bondholder is not a bank whose receipt of interest on the Series 2015C Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such bondholder's trade or business.

The exemption from withholding tax will not apply unless (a) the non-U.S. bondholder provides his, her or its name and address on an Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (b) a financial institution holding the Series 2015C Bonds on a non-U.S. bondholder's behalf certifies, under penalties of perjury, that it has received an Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (c) the non-U.S. bondholder holds their Series 2015C Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. bondholder.

If a non-U.S. bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. bondholder provides the Trustee with a properly executed (1) Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-8BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (2) Internal Revenue Service Form W-8ECI (or successor form) stating that interest paid on the Series 2015C Bonds is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States.

Interest on the Series 2015C Bonds-Effectively Connected Income. If a non-U.S. bondholder is engaged in an active trade or business in the United States and interest on the Series 2015C Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Series 2015C Bonds, that is effectively connected with the active conduct by such non-U.S. bondholder of a trade or business in the United States.

Disposition of the Series 2015C Bonds. A non-U.S. bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2015C Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the bondholder in the United States);

- the non-U.S. bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;

- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. bondholder is described in the first bullet point above, the non-U.S. bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. bondholder (See "—Tax Consequences to Non-U.S. Bondholders—Interest on the Series 2015C Bonds—Effectively Connected Income"). If a non-U.S. bondholder is described in the second bullet point above, the bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding.

U.S. Bondholders. Information reporting will apply to payments of principal and interest made by the Port on, or the proceeds of the sale or other disposition of, the Series 2015C Bonds with respect to U.S. bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. bondholder's U.S. federal income tax liability, provided the required information is timely provided to the Service.

Non-U.S. Bondholders. Payments to non-U.S. bondholders of interest on their Series 2015C Bonds and any amounts withheld from such payments generally will be reported to the Service and such holder. Backup withholding will not apply to payments of principal and interest on the Series 2015C Bonds if the non-U.S. bondholder certifies as to his, her or its non-U.S. bondholder status on an Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S.

bondholder otherwise qualifies for an exemption (provided that neither the Port nor its agent, if any, know or have reason to know that such bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Series 2015C Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. bondholder provides the certification described above or such bondholder otherwise qualifies for an exemption.

Foreign Account Tax Compliance. Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2016, gross proceeds from the sale or other disposition (including payments of principal) of, Series 2015C Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Series 2015C Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2016, gross proceeds from the sale or other disposition of, Series 2015C Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which will be provided to the Service, as required. Prospective bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Series 2015C Bonds.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE SERIES 2015C BONDS, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

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 Paying Agent/Registrars, 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 (Chapter 2256, Texas Government Code, as amended), 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 Bracewell & Giuliani LLP, Houston, Texas, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Texas, and the excludability of interest on the Series 2015A Bonds and Series 2015B Bonds from the gross income of the owners thereof for federal tax purposes. The forms of opinion of Bond Counsel are set forth in Appendix C. The opinions 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 its services with respect to the Bonds are contingent upon the issuance and delivery of the Bonds.

Though they represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Authority in connection with the issuance of the Bonds. In its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions, "PLAN OF FINANCING," "DESCRIPTION OF THE BONDS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, such firm has reviewed the information appearing under the captions and subcaptions "LEGAL MATTERS" (except for the last two sentences of the second paragraph thereof), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "REGISTRATION , SALE AND DISTRIBUTION" and such firm is of the opinion that legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Authority Order, the Authority made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe these agreements 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 events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Authority annually will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement and under schedules listed in APPENDIX D and APPENDIX A. The Authority will update and provide this information within six months after the end of each fiscal year ending in or after 2015.

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 the last day in June in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

Certain Event Notices

The Authority will provide to the MSRB timely notice, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015A Bonds or the Series 2015B Bonds, or other material events affecting the tax status of the Series 2015A Bonds or the Series 2015B Bonds; (7) modifications to rights of holders of the Series 2015A Bonds or Bonds, if material; (8) Bonds calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Bonds, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION — Annual Reports."

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

Availability of Information

The Authority has agreed to provide the foregoing information only to the MSRB. Such information will be available from the MSRB via the EMMA system at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of certain 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 the particular series of Bonds to which the agreement relates 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 the particular series of Bonds to which the agreement relates, consents 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 the particular series to which the agreement relates. 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 an underwriter 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 Related to Continuing Disclosure of Information."

Compliance with Prior Undertakings

The annual financial information and operating data of the Authority which was due by June 30, 2010, was not provided until July 8, 2010. The delayed filing was an oversight due to staff turnover at the Authority. The Authority has consulted with its Financial Advisor and bond counsel for advice relating to continuing disclosure compliance matters in an effort to develop and institute recommended practices and procedures to help ensure that required filings are made in a timely manner in the future.

FINANCIAL STATEMENTS

APPENDIX A to this Official Statement contains the audited financial statements of the Authority for the fiscal year ended December 31, 2014. The financial statements of the Authority as of and for the year ended December 31, 2014, included in this Official Statement have been audited by Grant Thornton LLP, independent auditors, as stated in their report appearing herein. Grant Thornton LLP, the Authority's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the Authority's financial statements for the fiscal year ended December 31, 2014 is included in this Official Statement in APPENDIX A; however, Grant Thornton LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the Authority, including without limitation any of the information contained in this Official Statement.

REGISTRATION, SALE, AND DISTRIBUTION

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Authority assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

UNDERWRITING

The Bonds are being purchased pursuant to three purchase contracts (collectively, the "Purchase Contracts") between the Authority and Citigroup Global Markets, Inc., 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 Series 2015A Bonds at a price of $73,389,788.18, which is the principal amount of the Series 2015A Bonds plus a net premium of $10,851,999.75 and less the Underwriters' discount of $267,211.57.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2015B Bonds at a price of $28,462,212.90, which is the principal amount of the Series 2015B Bonds plus a premium of $2,632,897.15 and less the Underwriters' discount of $75,684.25.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2015C Bonds at a price of $28,917,347.89, which is the principal amount of the Series 2015C Bonds plus a premium of $1,767,710.15 and less the Underwriters' discount of $110,362.26.

The Purchase Contracts provide 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 Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices, or yields higher than the yields, stated on the inside cover page. The offering prices and yields may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the issuer for which they received or will receive customary fees and expenses.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA.

WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the Authority, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by First Southwest Company on behalf of the Authority. Grant Thornton LLP has restricted its procedures to recalculating the mathematical computations provided by First Southwest Company on behalf of the Authority and has not evaluated or examined the assumptions or information used in the computations.

RATINGS

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

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—Certain Event Notices."

Due to the ongoing uncertainty regarding the economy of the United States of America including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default, other financial crisis or budgetary reductions should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

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. First Southwest Company or an affiliate may from time to time provide other services to the Authority for a fee, such as assistance with arbitrage rebate calculations. All fees and other remuneration received for the provision of investment advisory services to the Authority or other ancillary services 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 Order and the information with respect thereto included in the Order.

Distribution of this Official Statement was approved by the Port Commission.

* * *

SCHEDULE I

DESCRIPTION OF REFUNDED BONDS

The Authority expects to redeem bonds in whole or in part, at or prior to maturity, by applying proceeds of the Bonds, to provide for the payment of the principal of and interest and redemption premium, if any, on such bonds to the extent and to the payment dates set forth below. The refunding is contingent upon the delivery of the Bonds. The following list includes possible bonds to be refunded with proceeds of the Bonds. The bonds ultimately to be refunded will be determined by the Authority at its sole discretion due to market factors or other factors deemed relevant by the Authority, and the actual bonds to be refunded may differ from the list of bonds below.

REFUNDED BONDS TO BE
REFUNDED BY THE SERIES 2015A BONDS

Unlimited Tax Port Improvement Bonds,
Series 2002A (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date	Call Price
2023[1]	5.000%	$ 900,000	$ 900,000	09/28/2015	100.000
2024[1]	5.000	945,000	945,000	09/28/2015	100.000
2025[1]	5.000	995,000	995,000	09/28/2015	100.000
2026[1]	5.000	1,045,000	1,045,000	09/28/2015	100.000
2027[1][2]	5.000	1,095,000	1,095,000	09/28/2015	100.000

(1) Mandatory sinking fund redemption amount of a term bond.
(2) Final maturity of a term bond.

Unlimited Tax Refunding Bonds,
Series 2005B (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date	Call Price
2019	5.000%	$ 5,230,000	$ 5,230,000	10/01/2015	100.000
2020	5.000	15,165,000	15,165,000	10/01/2015	100.000
2021	5.000	15,915,000	15,915,000	10/01/2015	100.000
2022	5.000	6,005,000	6,005,000	10/01/2015	100.000
2022	4.750	10,000,000	10,000,000	10/01/2015	100.000
2023	4.125	6,000,000	6,000,000	10/01/2015	100.000

Unlimited Tax Refunding Bonds,
Series 2006C (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date	Call Price
2019	4.000%	$700,000	$700,000	10/01/2016	100.000
2020	4.000	700,000	700,000	10/01/2016	100.000
2021	4.125	700,000	700,000	10/01/2016	100.000
2022	4.125	700,000	700,000	10/01/2016	100.000
2023[1]	4.250	700,000	700,000	10/01/2016	100.000
2024[1][2]	4.250	700,000	700,000	10/01/2016	100.000
2025[1]	5.000	700,000	700,000	10/01/2016	100.000
2026[1][2]	5.000	700,000	700,000	10/01/2016	100.000
2027[1]	5.000	645,000	645,000	10/01/2016	100.000
2028[1][2]	5.000	675,000	675,000	10/01/2016	100.000
2029[1]	5.000	710,000	710,000	10/01/2016	100.000
2030[1]	5.000	745,000	745,000	10/01/2016	100.000
2031[1][2]	5.000	785,000	785,000	10/01/2016	100.000

[1] Mandatory sinking fund redemption amount of a term bond.
[2] Final maturity of a term bond.

REFUNDED BONDS TO BE
REFUNDED BY THE SERIES 2015B BONDS

Unlimited Tax Refunding Bonds,
Series 2005A (AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date	Call Price
2016	5.000%	$5,145,000	$5,145,000	10/01/2015	100.000
2017	4.000	6,480,000	6,480,000	10/01/2015	100.000
2018	5.000	9,695,000	9,695,000	10/01/2015	100.000
2019	5.000	5,160,000	5,160,000	10/01/2015	100.000
2023	4.250	1,750,000	1,750,000	10/01/2015	100.000

REFUNDED BONDS TO BE
REFUNDED BY THE SERIES 2015C BONDS

Unlimited Tax Refunding Bonds,
Series 2006B (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date	Call Price
2017	4.750%	$2,180,000	$2,180,000	10/01/2016	100.000
2018	5.000	2,290,000	2,290,000	10/01/2016	100.000
2019	5.000	2,405,000	2,405,000	10/01/2016	100.000
2020	5.000	2,525,000	2,525,000	10/01/2016	100.000
2021	5.000	2,655,000	2,655,000	10/01/2016	100.000
2022	5.000	2,785,000	2,785,000	10/01/2016	100.000
2023	5.000	2,925,000	2,925,000	10/01/2016	100.000
2024	5.000	3,070,000	3,070,000	10/01/2016	100.000
2025	5.000	3,225,000	3,225,000	10/01/2016	100.000
2026	5.000	3,385,000	3,385,000	10/01/2016	100.000

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

Port of Houston Authority

Comprehensive Annual Financial Report

For the Years Ended December 31, 2014 and 2013

Main Street Viaduct and Buffalo Bayou, Houston, Texas

Port of Houston Authority
111 East Loop North
Houston, Texas 77029
Phone: 713.670.2400
Fax: 713.670.2554
www.portofhouston.com

Prepared By: Office of the Controller Port of Houston Authority

On the cover: In 2014, the Houston Ship Channel celebrated 100 years as a deep-water port and one of the city's most important economic assets. The road to deep water took enormous public support and perseverance, and the investment has paid off handsomely for Houston, Harris County and Texas.

Port of Houston Authority of Harris County, Texas

Comprehensive Annual Financial Report
For the Years Ended December 31, 2014 and 2013

Prepared By:
Office of the Controller
Port of Houston Authority

Port of Houston Authority of Harris County, Texas
Comprehensive Annual Financial Report
For the Years Ended December 31, 2014 and 2013

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PHA
HOUSTON, TEXAS

PORT OF HOUSTON AUTHORITY

Port Commissioners

Port of Houston Authority of Harris County, Texas

Houston, Texas

Dear Commissioners:

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2014. This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section consists of this letter of transmittal, an organizational chart and a list of principal officials of the Authority. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis ("MD&A"), financial statements and the accompanying notes to the financial statements. The Statistical Section includes selected financial, economic and demographic data, some of which is provided by external sources. Dollar amounts within this letter of transmittal are rounded to the nearest million and to the nearest thousand in the MD&A, financial statements and the accompanying notes to the financial statements.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, as well as all disclosures, rests with management of the Authority. To the best of our knowledge the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. We have included disclosures necessary to enable the reader to gain an understanding of the Authority's financial position.

Profile of the Authority

Originally constituted in 1911, the Authority is a navigation district and a political subdivision of the state of Texas, having boundaries generally coterminous with Harris County, Texas. It is an independent governmental entity and governance of the activities of the Authority is the responsibility of a Port Commission composed of seven commissioners. Two are appointed by the Harris County Commissioners Court; two by the City Council of the City of Houston, Texas; one by the City Council of the City of Pasadena, Texas; and one by the Harris County Mayors' and Councils' Association. The chairman of the Port Commission is jointly appointed by the governing bodies of Harris County and the City of Houston. The Authority had 542 active, regular employees as of December 31, 2014 and in addition, utilized 236 full-time equivalent workers throughout the year from local longshoremen union halls.

The Port of Houston ("Port") has been a deep draft port since 1914. The Houston Ship Channel (the "Channel"), the heart of the Port complex, extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's public terminals and wharves, but also includes more than 150 privately-owned facilities along the upper reaches of the Channel. Some of the privately-owned terminals within the Port compete directly with the Authority's terminals, but serve to increase commerce through competitive rates. The Authority neither regulates the tariffs charged by, nor derives any revenues from, any of the privately-owned terminals, except for harbor fees and certain payments from private terminals located at the Bayport Industrial complex.

Business of the Authority

The Port is ranked first in the nation for foreign waterborne tonnage, and second in terms of total tonnage. The Authority owns a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, dry and liquid bulk and project and heavy lift cargo. These facilities are operated in a manner to achieve maximum utilization of the Authority's assets, including the offering of certain facilities for long term leases.

The Authority's Turning Basin Terminal in the upper Channel area is a multipurpose complex of breakbulk and general cargo wharves with substantial dockside facilities, as well as open and enclosed short term storage space. Wharf 32, located within this terminal, was specifically designed for handling project and heavy lift cargoes and has 18 acres of heavy duty paved marshaling area with 18 additional acres in development.

Container cargo for the Authority is handled primarily at the Barbours Cut Container Terminal ("BCT") and Bayport Container Terminal ("Bayport"). Today, these terminals combined have 18 wharf cranes, 62 yard cranes and additional heavy-duty tractors and other cargo handling equipment. The Authority handles approximately two-thirds of all the containerized cargo in the U.S. Gulf of Mexico through these container terminals.

The Authority owns over 3,600 acres of undeveloped properties and manages 3,348 acres of developed properties, much of which is leased or rented to third parties that independently maintain and operate facilities on the leased premises.

The Manchester Terminal, considered part of the Turning Basin Terminal, is a liquid bulk facility on 16 acres under lease to Valero Refining Texas, L.P., Westway Terminal Company LLC, South Coast Terminals, Inc., and Huntsman International LLC.

Certain areas in Terminals 5 and 6 at BCT are leased to Maersk, Inc. Empty container storage yards at BCT are leased to Integrated Marine Services LLC while Terminal Link, LLC and Houston Terminal, LLC lease similar yards at Bayport. The Care Terminal is leased to Coastal Cargo of Texas, Inc., facilities at Jacintoport Terminal are leased to Jacintoport International, LLC, Seaboard Corporation and the Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. The grain elevator at Woodhouse Terminal is leased to LD

Commodities, LLC and the grain elevator at the Turning Basin Terminal is leased to the Hansen Mueller Company.

In June of 2014 the Authority and Enterprise Products Partners L.P. entered into a 30-year lease and announced that Enterprise will build the world's largest ethane export terminal at the Authority's facilities on the BCT channel adjacent to the container terminal operations.

Sections of the wharf at BCT, the Care Terminal, Jacintoport Terminal, the Bulk Materials Handling Plant and the Woodhouse Terminal are subject to preferential, but not exclusive, berthing arrangements.

In addition, the Authority leases land and related improvements and provides railroad rights of way to rail operators and others, licenses pipeline crossings on its upland and submerged property, issues marine construction permits, maintains expansive areas for depositing materials dredged from channels and terminal berths and collects fees for placement area use.

The Authority owns 165 miles of railroad track with operating rights on an additional 10 miles of track, as well as 734 acres of rights of way with ample storage yard capacity for railroad cars near all its facilities. These yards are located on property made available to the Port Terminal Railroad Association, an association of line railroads serving Houston, and the Authority.

The Authority also owns or manages over 11,800 acres of submerged land in the county. The Authority is the non-federal sponsor of the Houston Ship Channel and for development of 3,000 acres of created marsh along the main channel and will assume responsibility for perpetual maintenance of marshes after their establishment.

The Authority owns a four-story office building located in the Turning Basin Terminal which houses the Authority's administrative staff and in 2011 opened new administration and other operational buildings at Bayport. The Authority also offers a state-of-the-art cruise terminal facility in Pasadena, Texas adjacent to Bayport. Princess Cruise Lines and Norwegian Cruise Line have executed agreements for use of that terminal for several years.

In 2014, the Port Authority secured permits to deepen channels and berths at Bayport and Barbours Cut and the Turning Basin terminals; that work is underway, along with redevelopment of Barbours Cut. In 2015, the U.S. Army Corps of Engineers is expected to assume maintenance of the Jacintoport channel and reassume maintenance of the Bayport and Barbours Cut channels, relieving the Authority from millions of dollars of annual channel maintenance costs.

For additional information, please refer to the Table of Physical Characteristics of the Port Facilities of the Authority in the Statistical Section of this CAFR, under Operating Information (Schedule 18).

Economic Outlook

The U.S. economy appeared resilient in the fourth quarter of 2014 while the global economy flirted with recession. A decline of over 50% in crude oil prices since June 2014 also dominated news headlines, likely resulting from a supply/demand imbalance. The U.S. now produces nine million barrels per day, an increase of over 80% since 2008, mostly due to fracking technology. At the same time, demand has decreased due to the global economic slowdown, most notably in Chinese manufacturing.

On the positive side, a drop in energy and gasoline prices is generally beneficial for consumers, as it increases their spending power. By most accounts, the U.S. economy seemed to be gathering momentum with real gross domestic product ("GDP") growth of 2.6% in the last quarter of 2014. The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in November 2014 shows real GDP projected to grow 3.0% in 2015, 2.9% in 2016, and 2.7% in 2017.

The annual average U.S. unemployment rate for 2014 was 6.2% according to the Bureau of Labor Statistics, a fall from the 9.6% peak in 2010. The monthly report for December 2014 showed the official unemployment rate dropping to 5.6%, but the labor force participation rate continued its downward trend at 62.7%. In addition, there are indications that wage growth weakness may be the new nature of employment for many Americans.

Aspects of the global economic outlook continue to be generally positive, with forecasts of real GDP growth in 2015 for China, India and Mexico of 6.8%, 6.3% and 3.2%, respectively, per the International Monetary Fund World Economic Update. On the other hand, the outlook for Russia is much weaker, reflecting the impact of lower oil prices and increased geopolitical tensions. Overall, the euro zone is expected to grow 1.2% in 2015.

According to data published by the U.S. Census Bureau through November 2014, Texas is poised to be ranked as the number one exporting state for the thirteenth consecutive year. The greater Houston metropolitan area is now also recognized as the largest export market in the nation, surpassing the New York metropolitan area. The top exporting industries are petroleum and mineral products, chemicals, computer and electronic products, non electrical machinery, and transportation equipment. A significant portion of this export commerce is accommodated through the Authority's public terminals.

The Authority and the local region should continue to benefit from the gradual recovery of the U.S. and global economies, although there are concerns that the decline in oil prices may negatively impact the local region; for example, several large energy and oilfield service companies have recently announced layoffs and reductions in capital investments.

Financial Planning

The Authority's mission includes promotion of maritime trade and commerce, as well as delivery of economic prosperity to the local region, Texas, and the nation. Management considers transparency and fiscally sound business practices, prudent evaluation of risks and opportunities to be necessary elements for achieving such goals. In addition, a strong focus on financial planning and liquidity management is considered essential, in light of significant infrastructure investments expected to be required in the next few years. Expense management and the creation of operating efficiencies also continue as major objectives for the Authority.

In accordance with statutory requirements, the Port Commission reviews and must approve an annual budget and a one year capital plan. The Authority also develops a five year forecast and a long range plan addressing goals, strategies and priorities.

For 2015, the Authority budgeted total operating revenues of $264 million. This represents a 6% increase over the 2014 budget of $249 million, reflecting anticipated growth of import and export container loads. Total operating, general and administrative expenses are budgeted at $225 million, a 4% increase versus the prior year. Excluding revenues and expenses related to property taxes, the Authority projects net income of $38 million for 2015, essentially flat compared to 2014. The Authority also expects to generate annual cash flows of $90-110 million per annum over the next several years.

During 2014, the Authority invested $105 million in capital improvements, of which $11 million was funded using proceeds of tax bonds issued in prior years. The balance was funded primarily from the Authority's general fund and also from grant monies received from federal and other governmental programs. The proceeds from tax bonds issued in prior years have now been fully spent.

Infrastructure improvements, including deepening and widening of the Bayport and Barbours Cut channels, are planned and underway to help ensure that the Authority, and the private sector entities comprising the Port of Houston, are better prepared to accommodate the larger vessels that carriers are building for their shipping fleets, as well as the increased cargo volumes resulting from future demographic growth in the region and other factors. Replacing aging facilities with more modern equipment and terminals also supports the Authority's mandate to facilitate commerce, navigation, and safe waterways.

The Authority's 2015 capital budget was approved for up to $275 million for various improvements. Approximately $228 million relates to continuing development at Bayport and modernization at Barbours Cut, including railroad and channel development projects. Another $35 million is planned to be used for concrete repair, wharf rehabilitation, and other projects at the general cargo and bulk terminals in the Turning Basin area. The balance of the 2015 capital budget covers a variety of projects, including building renovations, and information technology, fire department, and port security improvements.

Major Initiatives

Terminal Improvements

The Authority continues the development of Bayport, including wharf and yard expansion projects scheduled to begin in 2016, following the channel improvements which are expected to be complete by the fall of 2015. The wharf expansion will provide a total of 4,000 feet of wharf and create the capacity for three additional Super Post Panamax wharf cranes, increasing the terminal total to 12. The Authority was recently awarded a $10 million Transportation Investment Generating Economic Recovery ("TIGER") grant by the U.S. Department of Transportation to be used toward the Bayport wharf expansion project. Separately, a new container yard will provide 25 additional acres of grounded container marshaling area, and the purchase of nine new rubber tired gantry ("RTG") cranes, scheduled to be awarded by the second quarter of 2015, will provide the necessary equipment to meet volume projections and maintain the highest service levels to the Authority's customers as the terminal footprint continues to expand.

Redevelopment continues for Barbours Cut, where the Authority plans to complete the first phase of wharf redevelopment in mid-2015 with the commissioning of four new ship-to-shore cranes. These four Super Post Panamax wharf cranes, similar to the configuration of those at the Bayport terminal, are a major component to the revitalization of the terminal and provide the capability to service the growing vessel size of the industry. The channel improvements running concurrently with Bayport and expected to be complete in the summer of 2015. The second phase of rehabilitation, of approximately 10 acres of container yard, is also expected to be complete by the second quarter of 2015, providing additional grounded storage capacity to the terminal and increasing the yard density and overall throughput of the facility. The next phases of yard development are under detail design, which will repurpose warehouse and freight handling areas for container stacking, and rebuild aging infrastructure, to support the higher cargo velocities expected as redevelopment continues. These container yard phases each include utility and power upgrades as key elements of the Barbours Cut redevelopment. Proper phasing of the redevelopment allows the terminal to maintain current operating capacity during construction activities.

To add to the economic value of the Authority's Turning Basin operations, construction is underway to repurpose aging facilities, and to expand capacity at the 115 acre East Industrial Park area. The Authority has commenced work to add an additional 18 acres of concrete laydown yard next to Wharf 32. The Authority has also begun work to demolish aged and obsolete assets at the Turning Basin, for the purpose of redevelopment of prime waterfront property and other real estate assets. An assessment of docks at the general cargo facilities is ongoing in order to determine if needed repairs are necessary and if potential improvements would enable incremental commerce and provide an economic return for the Authority.

The Authority has committed to partner in a three-year federal study of further improvements of the Bayport and recently Barbours Cut channels, and improvements to the upper reaches of the main Houston Ship Channel – potentially the first modifications of those channel areas in over 50 years.

The Authority continuously evaluates its strategic plans to ensure a competitive position in the market, with an emphasis on leading the market with high service levels to carriers and customers, by optimizing expansion and redevelopment activities.

Health, Safety, Security and Emergency Management

In 2014, the Health, Safety, Security and Emergency Management ("HSSE") group refined its role to better serve the Port Authority and local community. The Environmental Affairs Department ("EAD") was moved out of HSSE and the Safety Department was given specific emphasis. Using a system of robust safety audits, capturing safety data, and rectifying potential safety hazards, the Port Authority has seen its incident rate drop significantly. The terminal Safety Committees, made up of volunteers from all departments, have made a significant impact by raising the awareness of safety as a core value for all employees.

The third and final state-of-the-art fireboat arrived in 2014, and was christened at the Port Authority Family Day held in conjunction with the Authority's Centennial celebration.

Environmental

The EAD maintained the Authority's commitment of continuous improvement of pollution prevention and environmental compliance throughout 2014. EAD provided port-wide support to maintain and improve environmental compliance and stewardship and managed the Authority's Environmental Management System ("EMS"), Air and Sediment Quality, Water, Waste Management, Remediation, and Audit Programs.

To ensure that tenants utilizing Authority facilities are held accountable to the terms of their leases, the Authority has created and implemented a Tenant Audit Review Board ("TARB"), which includes Authority staff members from the Environmental Affairs, Operations, Real Estate, and Legal departments. The TARB meets to review reported deficiencies and discuss enforcement actions and corrective measures resulting from environmental compliance audits. In 2014, two tenants were brought before the TARB to discuss deficient environmental compliance and a strategy to move forward to ensure future compliance.

Financial Information

The accounting policies of the Authority and this report conform to accounting principles generally accepted in the United States for local governmental units as prescribed by the Governmental Accounting Standards Board. A summary of significant accounting policies can be found in Note 1 to the financial statements.

It is the policy of the Authority to record nonoperations-related sources of income and expense outside of the Operating income section of the Statements of Revenues, Expenses and Changes in Net Position. Accordingly, during 2014 the Authority recognized $1.5 million of contributions to state and local agencies in the Nonoperating revenues (expenses) section of the statements.

The integrity and objectivity of data in these financial statements and supplemental schedules, including estimates and judgments relating to matters not concluded at year-end, are the responsibility of the management of the Authority. By state statute, the Harris County Treasurer serves as the treasurer of the Authority with certain responsibilities related to bank accounts and funds of the Authority, and any tax bonds issued by the Authority.

We direct the reader's attention to the MD&A section immediately following the independent auditor's report, which provides an analytical overview of the Authority's financial activities and serves as an introduction to the basic financial statements.

Internal Control

Management, with oversight from the Audit Committee of the Port Commission, is responsible for establishing and maintaining internal controls. To enhance focus and provide structure to this function, a new Internal Audit department was established in January 2013. By statute, the Authority's chief audit executive is hired by the Port Commission and reports to the Audit Committee. In fulfilling its responsibility, management utilizes its best estimates and judgment to assess the expected benefits and related costs of controls. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Due to inherent limitations in any internal control, misstatements arising from error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

All internal control evaluations occur within the above framework. Management believes the Authority's financial accounting controls, with ongoing internal audit reviews and statutory audit functions, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

Independent Audit

The financial statements for the years ended December 31, 2014 and 2013 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinions, rendered by Grant Thornton LLP for December 31, 2014 and 2013, are included in the Financial Section of this report.

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This was the 40th consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Management believes the current report continues to meet the Certificate of Achievement Program's requirements.

The Government Treasurers' Organization of Texas ("GTOT") sponsors an Investment Policy Certification Program designed to provide assistance to local governments in developing policies that fully comply with the Texas Public Funds Investment Act, and to recognize outstanding examples of written investment policies. The Authority was first awarded a certificate of distinction for its investment policy in March 2013. The Authority submitted its latest policy for consideration under this program and received another certificate in March 2015. The GTOT certificate is valid for two years.

The Comptroller of Public Accounts launched the Texas Comptroller Leadership Circle program in 2009 to recognize the efforts of local governments striving to meet a high standard for financial transparency online. The Authority is committed to such financial transparency, and earned Gold Leadership Circle Awards during 2012 and 2013, and a Platinum Level Award in 2014. The award designation is valid for one year until May 2015.

Acknowledgements

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the staff of the Authority's Finance and Administration Division and many other departments. We express our appreciation to all who assisted and contributed to the preparation of this report.

In addition, we would like to thank the members of the Port Commission and the staff of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner, to ensure fiscal transparency and accountability, and to maintain the Authority's financial statements in conformance with the highest professional standards.

Roger Guenther
Executive Director

Thomas J. Heidt
Deputy Executive Director
Finance and Administration

Tim Finley
Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Houston Authority

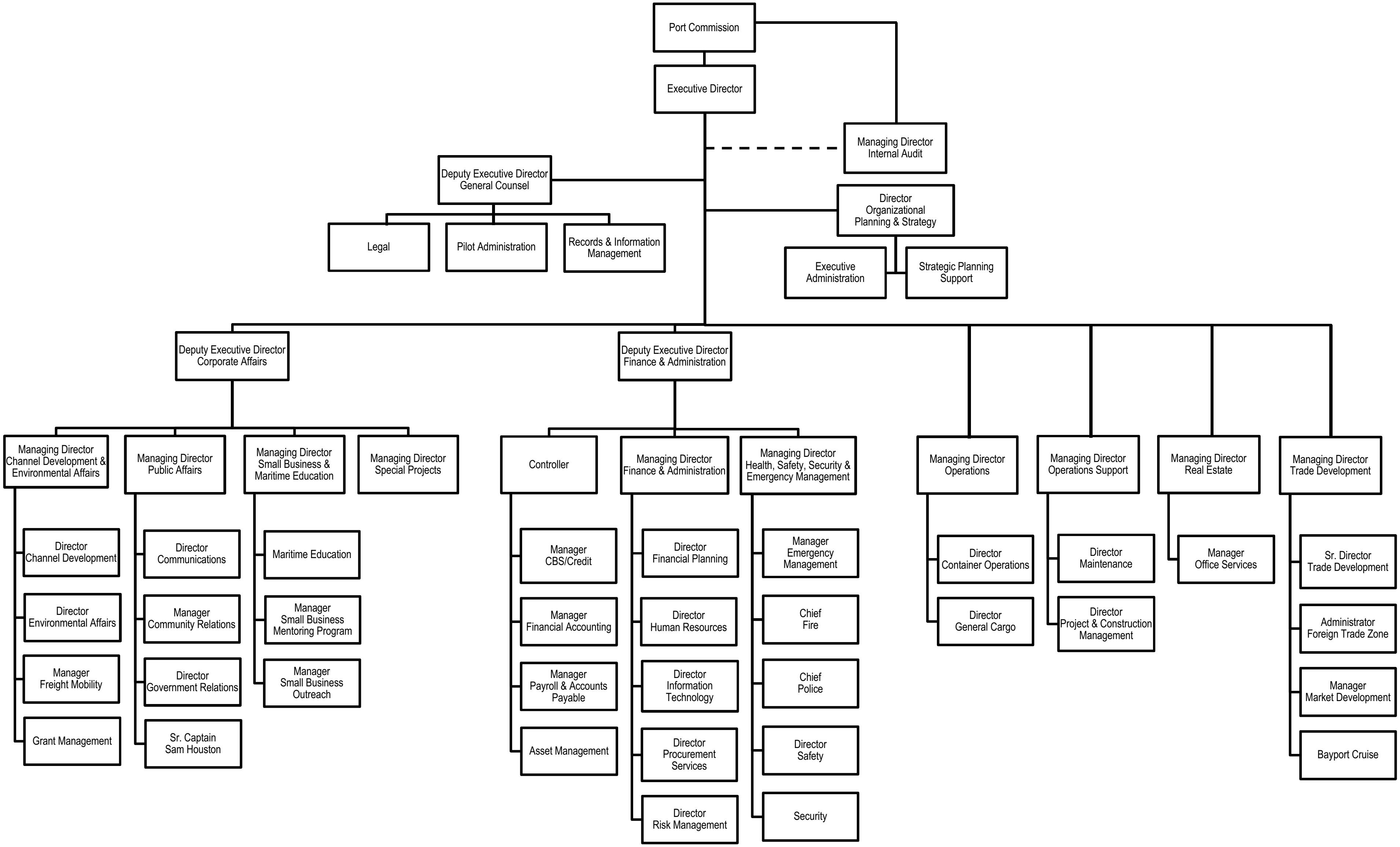
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Port of Houston Authority Organization Chart



Port of Houston Authority of Harris County, Texas
Directory of Officials

Port Commission

Janiece Longoria, Chairman
John D. Kennedy, Commissioner
Dean E. Corgey, Commissioner
Clyde Fitzgerald, Commissioner
Theldon R. Branch III, Commissioner
Stephen H. DonCarlos, Commissioner
Roy D. Mease, Commissioner

Other Officials

Roger D. Guenther, Executive Director
Erik A. Eriksson, Deputy Executive Director, General Counsel
Thomas J. Heidt, Deputy Executive Director, Finance and Administration
Phyllis Saathoff, Deputy Executive Director, Corporate Affairs
Ramon Yi, Managing Director, Finance and Administration
Tim Finley, Controller
Maxine N. Buckles, Managing Director, Internal Audit
Orlando Sanchez, County Treasurer

FINANCIAL SECTION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
700 Milam Street
Suite 300
Houston, TX 77002
T 832-476-3600
www.GrantThornton.com

To the Port Commission
Port of Houston Authority of Harris County

Report on the financial statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses, and changes in net position, and cash flows, of the Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-23 and the Port of Houston Authority Restated Retirement Plan Schedule of Funding Progress, the Port of Houston OPEB Trust Schedule of Funding Progress and the Schedule of Employee Contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

The introductory section and statistical section on pages 1 through 12 and 66 through 92, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 21, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Grant Thornton LLP

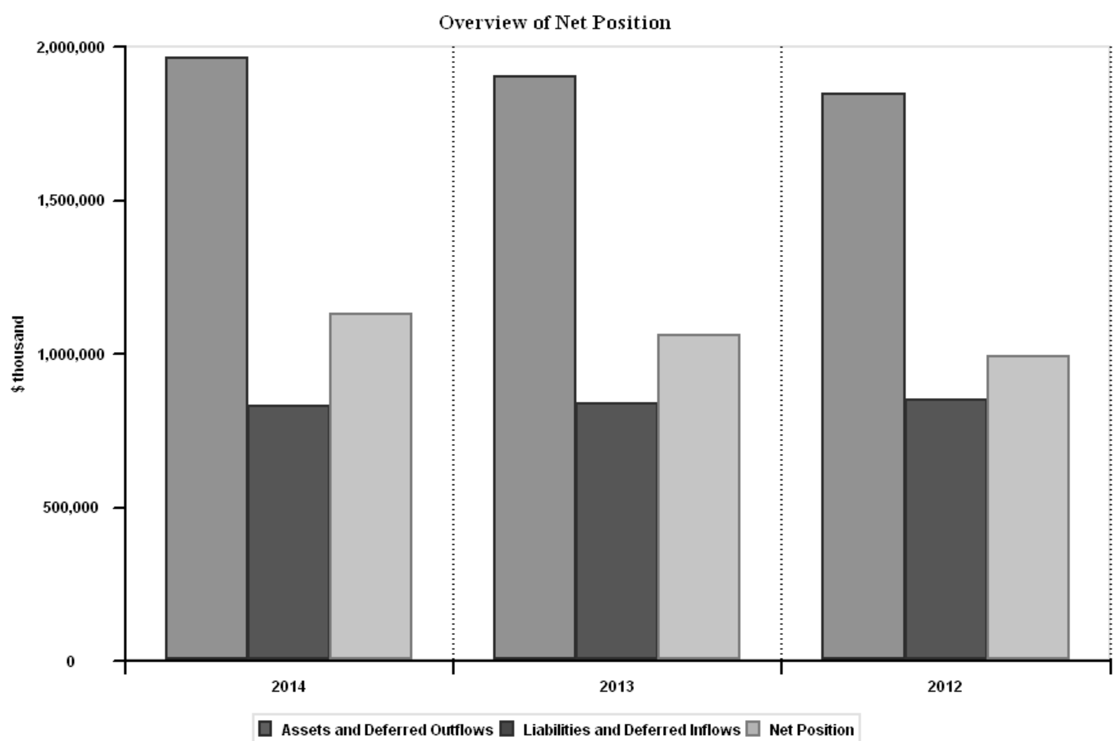
Houston, Texas
April 21, 2015

Port of Houston Authority of Harris County, Texas
Management Discussion and Analysis
For the Years Ended December 31, 2014 and 2013
(unaudited)

The following Management's Discussion and Analysis ("MD&A") of the Port of Houston Authority of Harris County, Texas ("Authority") provides an overview of the activities and financial performance for the fiscal years ended December 31, 2014 and December 31, 2013.

The MD&A supplements the basic financial statements by presenting certain information regarding the statements and an analysis of the Authority's overall financial position and results of operations. Additionally, this section contains information surrounding capital assets and long-term debt activity during the year and concludes with a discussion regarding budgeting and economic factors effecting the Authority.

The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the accompanying notes which follow this section and are integral to the data contained in the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.



Net position is the difference between the Authority's assets, deferred outflows of resources and liabilities plus deferred deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Authority's financial position is improving or deteriorating.

Financial highlights for fiscal year 2014

- The net position of the Authority at December 31, 2014 was $1,131,172, increasing $69,196 or 7% over the prior year.

- The Authority's total assets and deferred outflows increased by $61,356 or 3% during the fiscal year ended December 31, 2014. The majority of this change stems from an increase in capital assets of $47,050 and an increase in other noncurrent assets of $22,413. These are partially offset by a decrease in current assets of $7,706.

- The Authority's total liabilities and deferred inflows decreased by $7,840 or 1%; the majority of this change stems from a decrease of $18,258 in long-term debt, net of current maturities, and an increase of $10,021 in other noncurrent liabilities.

- Current assets exceeded current liabilities by $208,349.

- Net investment in capital assets (net of accumulated depreciation and debt) grew 9% to $749,755.

- Operating revenues were $263,897, a new record for the Authority, reflecting growth of 13% over the prior year.

- Total operating expenses were $219,666, a growth of 9% over the prior year.

- The Authority generated operating income of $44,231, setting a new record and reflecting growth of 36% over fiscal 2013.

Overview of the Financial Statements

The Authority's basic financial statements consist of the following: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Financial Statements. Fiduciary fund statements associated with the Authority's Defined Contribution and Other Postemployment Benefits ("OPEB") plans are included as well. This report also contains required supplementary information in addition to the basic financial statements.

The Statements of Net Position present information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the fiscal year. All changes in net position 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 are expected to result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

The Authority follows enterprise fund accounting and reporting requirements, hence 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 includes required supplementary information concerning the Authority's progress in funding its retirement plan and other postemployment benefits. Information on these retirement benefits can be found in the accompanying notes to the financial statements.

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of GASB pronouncements.

Financial Analysis

The largest portion of the Authority's net position (66%) 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 unspent debt proceeds. 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 position (4%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position (30%) may be used to meet the Authority's ongoing obligations.

Port of Houston Authority of Harris County, Texas
Condensed Statements of Net Position
(in thousands)

	2014	2013	2012
Assets			
Current and other assets	$ 477,160	$ 462,453	$ 472,380
Capital assets	1,480,184	1,433,134	1,367,251
Total Assets	1,957,344	1,895,587	1,839,631
Deferred Outflows of Resources			
Deferred loss on bond refunding	6,847	7,248	7,650
Total Assets and Deferred Outflows of Resources	1,964,191	1,902,835	1,847,281
Liabilities			
Long-term liabilities (including current portion)	791,442	798,975	819,162
Other liabilities	41,263	41,518	33,418
Total Liabilities	832,705	840,493	852,580
Deferred Inflows of Resources			
Deferred gain on bond refunding	314	366	420
Total Liabilities and Deferred Inflows of Resources	833,019	840,859	853,000
Net Position			
Net investment in capital assets	749,755	685,717	596,224
Restricted	43,290	51,793	77,384
Unrestricted	338,127	324,466	320,673
Total Net Position	$ 1,131,172	$ 1,061,976	$ 994,281

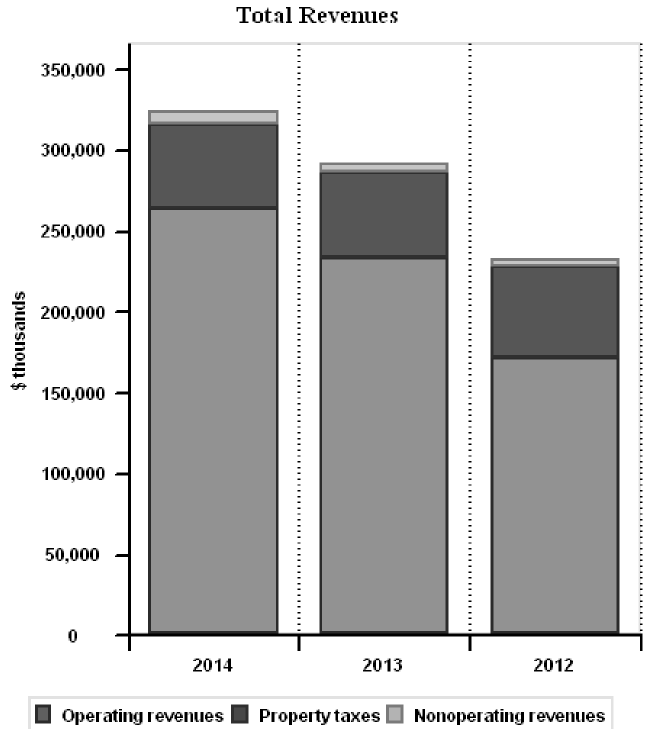
The Authority's net position increased by $69,196 during the fiscal year ended December 31, 2014. Net investment in capital assets increased $64,038 resulting from a net increase in capital assets of $47,050 and a decrease in outstanding bonds payable of $17,553. During fiscal year 2014, restricted net position decreased $8,503 mainly as a result of the use of restricted proceeds for construction. Unrestricted net position increased $13,661.

The Authority's net position increased by $67,695 during the fiscal year ended December 31, 2013. During fiscal year 2013, net investment in capital assets increased $89,493 with a net increase in capital assets of $65,883 and a decrease in outstanding debt of $16,831. During fiscal year 2013, restricted net position decreased $25,591 mainly as a result of the use of restricted proceeds for construction. Unrestricted net position increased $3,793.

Key elements of these increases in net position are identified in the following schedule of Changes in Net Position and related explanations.

Port of Houston Authority of Harris County, Texas
Changes in Net Position
(in thousands)

	2014	2013	2012
Operating revenues:			
Vessel and cargo services	$ 238,083	$ 200,101	$ 190,618
Rental of equipment and facilities	17,763	25,114	23,077
Grain elevator	1,821	592	683
Bulk materials	4,270	2,665	2,485
Other	1,960	5,201	8,512
Nonoperating revenues:			
Investment income (loss)	4,913	(435)	2,410
Contribution in aid of construction	-	5,000	-
Other, net	3,291	683	1,583
Nonoperating revenues related to property taxes:			
Property taxes	51,955	52,534	56,429
Investment income on bond proceeds	162	348	302
Total Revenues	324,218	291,803	286,099
Operating expenses:			
Maintenance and operations of facilities	123,324	103,353	101,095
General and administrative	39,152	41,845	43,875
Depreciation and amortization	57,190	56,057	56,551
Nonoperating expenses:			
Contributions to state and local agencies	1,464	1,949	882
Loss on disposal of assets	1,220	91	3,295
Other, net	-	-	98
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	33,459	33,188	33,803
Property tax collection expense	1,175	994	1,091
Other, net	408	477	442
Total Expenses	257,392	237,954	241,132
Income before capital contributions	66,826	53,849	44,967
Capital contributions from federal agencies	2,370	13,846	9,433
Changes in net position	69,196	67,695	54,400
Net position, January 1	1,061,976	994,281	939,881
Net position, December 31	$ 1,131,172	$ 1,061,976	$ 994,281



In 2014, Operating revenues increased $30,224 or 13% to $263,897 led by growth in Vessel and cargo services revenues. The Authority's container facilities experienced a record-high 19.4 million tons for the year, an increase of 1% from 2013; total Authority tonnage grew 4% to 47 million tons in 2014. Rental of equipment and facilities decreased from the prior year as a result of a management reporting change to categorize rental revenues associated with operating terminal properties as vessel and cargo services. Other operating revenues decreased $3,241 or 62% primarily from a reduction in dredge material placement fees.

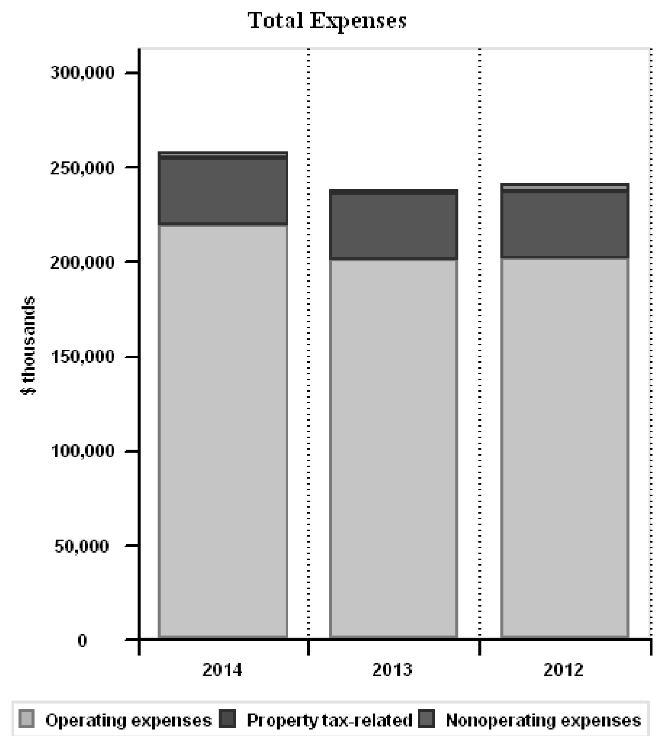
Nonoperating revenues related to property taxes in fiscal 2014 decreased $579 due to the decreased property tax rate from $0.01716 in 2013 to $0.01531 in 2014 per $100 assessed valuation.

Nonoperating revenues in 2014 increased $2,956 due primarily to unrealized gains on investments relating to declines in market interest rates.

For fiscal 2013, Operating revenues increased over 2012 by $8,298 or 4% to $233,673 led by growth in Vessel and cargo services revenues. The Authority's container facilities handled 19.1 million tons for the year, an increase of 3% from 2012; total Authority tonnage grew 2% to 45 million tons in 2013. Other operating revenues decreased $3,311 or 39% primarily from the conclusion of a dredge material placement agreement.

Nonoperating revenues related to property taxes in 2013 decreased $3,849 from fiscal 2012 due to the decreased property tax rate from $0.01952 in 2012 to $0.01716 in 2013.

Nonoperating revenues in 2013 increased $1,255, largely driven by funding provided by a ship channel partner associated with a rail project.



In 2014, Operating expenses increased by $18,411 or 9%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container and general cargo tonnage. General and administrative expenses decreased 6% from 2013.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, increased $383 over 2013.

Nonoperating expenses in 2014 increased $644 due in part to loss on disposal of capital assets related to the retirement of rubber tired gantry ("RTG") cranes.

For fiscal 2013, Operating expenses decreased by $266 from 2012 levels, reflecting a $2,030 decrease in general and administrative expenses associated with the Authority's organizational realignment, partially offset by higher maintenance and operation of facilities expenses associated with funding of assumption of maintenance studies with the U.S. Army Corps of Engineers.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $677 from 2012.

Nonoperating expenses in 2013 decreased $2,235 due primarily to a loss on disposal of capital assets recorded in fiscal 2012.

Capital Assets

The Authority's investment in capital assets as of December 31, 2014 totaled $1,480,184 (net of accumulated depreciation), an increase of $47,050 or 3% over the prior year.

Major capital asset activity during 2014 included the following:

- Land and channel improvements and Land use rights increased by $4,549 primarily due to projects associated with deepening and widening.
- Buildings increased $1,615 due to construction at Barbours Cut and Turning Basin.
- Improvements other than buildings increased $57,809 primarily due to reconstruction of Wharf 1 at Barbours Cut and High Level road at the Turning Basin.
- Machinery and equipment net increases totaled $12,950 in 2014. This includes additions of $31,729 offset by $18,779 of retirements. The additions primarily consisted of the purchase of eleven RTG cranes for $21,690, a fireboat for $4,960, and a container gate system at Barbours Cut for $1,566.
- Net capitalized interest of $1,297 was added to the cost of assets for 2014.
- Construction-in-progress increased $8,373 in 2014 due primarily to redevelopment at Barbours Cut.
- Accumulated depreciation net of retirements increased by $38,246 in 2014.

The Authority's investment in capital assets as of December 31, 2013, was $1,433,134 (net of accumulated depreciation), an increase of $65,883 or 5% over the prior year.

Major capital asset activity during 2013 included the following:

- Land and channel improvements and Land use rights increased by $5,580 primarily due to projects associated with deepening and widening.
- Buildings increased $6,312 due to construction at Jacintoport, Turning Basin, and Bayport.
- Improvements other than buildings increased $67,224 primarily due to construction of a new container gate at Bayport.
- Machinery and equipment net decreases totaled $7,488 in 2013. This includes additions of $15,705 offset by $23,193 of retirements. The additions primarily consisted of the purchase of two new fireboats for $9,916, IT network and system equipment for $3,095, and security equipment for $1,221.
- Investments in computer software increased $1,436 primarily due to the implementation of new operating and billing software at Bayport.
- Net capitalized interest of $2,274 was added to the cost of assets for 2013.
- Construction-in-progress increased $23,143 in 2013 due primarily to redevelopment at Barbours Cut.
- Accumulated depreciation net of retirements increased by $30,324 in 2013.

Port of Houston Authority of Harris County, Texas
Capital Assets
(net of depreciation)
(in thousands)

	2014	2013	2012
Land and channel improvements	$ 386,849	$ 382,629	$ 377,628
Land use rights - intangible	11,575	11,246	10,667
Buildings	86,671	89,607	87,995
Improvements other than buildings	681,685	654,246	614,810
Railroads	24,657	25,928	27,203
Machinery and equipment	163,659	151,008	153,169
Computer software - intangible	2,732	4,487	4,939
Construction-in-progress	122,356	113,983	90,840
Total Capital Assets, net	$ 1,480,184	$ 1,433,134	$ 1,367,251

Additional information on the Authority's capital assets can be found in Note 4 in the accompanying notes to the financial statements.

Debt

At the end of 2014, the Authority had total debt outstanding of $736,745 (net of premiums/discounts), consisting of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the "General Obligation Bonds"), for which debt service is funded from ad valorem taxes approved by Harris County taxpayers, levied by the Harris County Commissioners Court on behalf of the Authority and collected by the Harris County Tax Assessor-Collector.

At the end of 2013, the Authority had total debt outstanding of $754,298 (net of premiums/discounts), consisting of General Obligation Bonds.

Port of Houston Authority of Harris County, Texas
Outstanding Debt
General Obligation Bonds
(net of premiums/discounts)
(in thousands)

	2014	2013	2012
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	$ 95,268	$ 95,374	$ 95,475
Unlimited Tax Refunding Bonds	641,477	658,924	675,654
Total General Obligation Bonds	736,745	754,298	771,129
Less Current Maturities	(15,950)	(15,245)	(14,345)
Long-Term Debt (net of unamortized premiums/discounts)	$ 720,795	$ 739,053	$ 756,784

During 2014, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $15,245 during 2014 due to the scheduled debt service payment. Interest expense for 2014 on the unlimited tax bonds increased by $271.

During 2013, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $14,345 during 2013 due to the scheduled debt service payment. Interest expense for 2013 on the unlimited tax bonds decreased by $615. In 2013, the Authority considered interim financing alternatives for its capital improvement program.

A summary of the Authority's General Obligation bond ratings is provided in the table below:

Year	Fitch	Moody's	S & P
2014	AAA	Aaa	AAA
2013	AAA	Aaa	AAA

Additional information on the Authority's debt can be found in Note 6 in the accompanying notes to the financial statements.

Economic Factors

A number of factors were considered in preparing the Authority's operating budget for the 2015 fiscal year, including the global economy, tonnage statistics, and expected growth in domestic and international trade. The Authority's budgets and other financial information are made available on its website, portofhouston.com, as part of its commitment to financial transparency.

The Authority reviews information published by various research and advisory organizations, including the International Monetary Fund World Economic Outlook, the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, and the Federal Reserve Bank of Dallas' Regional Economic Update.

The U.S. economy continues its recovery with GDP growth of 3.0% expected in 2015. According to the Bureau of Labor Statistics the consumer price index ("CPI") increased 0.8% in 2014 on an unadjusted basis, compared to an average annual increase of 2.2% over the last ten years. Low inflation is expected to continue in 2015 with CPI increasing about 1.8%.

The Texas regional economy continues to expand despite headwinds in the energy industry. Other sectors were generally upbeat with the December 2014 payroll employment data showing a 3.7% annualized increase. The Federal Reserve Bank of Dallas forecasts 2015 employment growth in Texas of 2.2%, in line with the state's long-term average but less than the 3.6% average growth seen in 2014. The regional outlook is for slower growth in 2015, in light of lower oil prices and recent reduction in Texas petrochemical exports.

The Authority's 2015 budget reflects expected growth of export and import loads at 5%, with a 3.5% reduction in empty container volume. Steel tonnage in 2014 increased by 1.9 million tons, or 41% versus prior year, but is expected to decrease by 18% in 2015 due to the decline in oil prices and the slowdown in drilling activity.

Requests for Information

The financial report is designed to provide an overview of the Authority's finances for those with an interest in the Authority's finances. Questions concerning 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 of Harris County, Texas

Statements of Net Position
As of December 31, 2014 and 2013
(in thousands)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 37,350	$ 24,241
Short-term investments	140,915	156,062
Receivables (net of allowance for uncollectibles)	26,749	23,607
Restricted assets		
Cash and cash equivalents	18,413	22,380
Property tax receivables	38,484	44,148
Inventories	16	140
Prepaids and other current assets	3,635	2,690
Total Current Assets	265,562	273,268
Noncurrent Assets		
Investments	206,983	174,929
Restricted assets		
Investments	-	9,116
Prepaids and other noncurrent assets	4,615	5,140
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	386,849	382,629
Land use rights - intangible	11,575	11,246
Buildings	86,671	89,607
Improvements other than buildings	681,685	654,246
Railroads	24,657	25,928
Machinery and equipment	163,659	151,008
Computer software - intangible	2,732	4,487
Construction-in-progress	122,356	113,983
Total Capital Assets	1,480,184	1,433,134
Total Noncurrent Assets	1,691,782	1,622,319
Total Assets	1,957,344	1,895,587
Deferred Outflows of Resources		
Deferred loss on bond refunding	6,847	7,248
Total Assets and Deferred Outflows of Resources	$ 1,964,191	$ 1,902,835

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2014 and 2013
(in thousands)

	2014	2013
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	$ 28,317	$ 25,778
Fees received in advance and other reserves	3,898	2,379
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	15,950	15,245
Accrued interest payable		
Unlimited tax bonds	9,048	9,223
Contracts payable and accrued liabilities	-	4,139
Total current liabilities payable from restricted assets	24,998	28,607
Total Current Liabilities	57,213	56,764
Noncurrent Liabilities		
Long-term debt, net of current maturities	720,795	739,053
Other noncurrent liabilities		
Due in more than one year	54,697	44,676
Total Noncurrent Liabilities	775,492	783,729
Total Liabilities	832,705	840,493
Deferred Inflows of Resources		
Deferred gain on bond refunding	314	366
Total liabilities and deferred inflows of resources	833,019	840,859
Commitments and Contingencies	-	-
Net Position		
Net investment in capital assets	749,755	685,717
Restricted for:		
Capital	-	7,195
Debt Service	43,290	44,598
Unrestricted	338,127	324,466
Total net position	1,131,172	1,061,976
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,964,191	$ 1,902,835

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2014 and 2013
(in thousands)

	2014	2013
Operating revenues		
Vessel and cargo services	$ 238,083	$ 200,101
Rental of equipment and facilities	17,763	25,114
Grain elevator	1,821	592
Bulk materials	4,270	2,665
Other	1,960	5,201
Total revenues	263,897	233,673
Operating expenses		
Maintenance and operations of facilities	123,324	103,353
General and administrative	39,152	41,845
Depreciation and amortization	57,190	56,057
Total operating expenses	219,666	201,255
Operating income	44,231	32,418
Nonoperating revenues (expenses)		
Investment income (loss)	4,913	(435)
Contributions to state and local agencies	(1,464)	(1,949)
Contribution in aid of construction	-	5,000
Loss on disposal of assets	(1,220)	(91)
Other, net	3,291	683
Total nonoperating revenues (expenses)	5,520	3,208
Income before nonoperating revenues (expenses) related to property taxes	49,751	35,626
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	51,955	52,534
Investment income on bond proceeds	162	348
Interest expense on unlimited tax bonds	(33,459)	(33,188)
Property tax collection expense	(1,175)	(994)
Other, net	(408)	(477)
Total nonoperating revenues (expenses) related to property taxes	17,075	18,223
Income before capital contributions	66,826	53,849
Capital contributions from federal agencies	2,370	13,846
Change in net position	69,196	67,695
Net position, January 1	1,061,976	994,281
Net position, December 31	$ 1,131,172	$ 1,061,976

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
(in thousands)

	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 261,626	$ 232,438
Cash paid to suppliers for goods and services	(67,735)	(64,512)
Cash paid to employees for services	(64,430)	(62,030)
Cash paid for employee benefits	(23,799)	(21,221)
Cash paid for other services	(2,084)	(1,187)
Cash received for other purposes	3,703	6,650
Net cash provided by operating activities	107,281	90,138
Cash flows from noncapital financing activities:		
Property taxes received	57,801	53,780
Contributions paid to others	(1,464)	(1,949)
Property tax administrative expenses	(2,349)	(2,317)
Net cash provided by noncapital financing activities	53,988	49,514
Cash flows from capital and related financing activities:		
Contributions received from federal agencies	3,070	12,736
Interim financing costs	-	(250)
Repayment of long-term debt	(15,245)	(14,345)
Interest on long-term debt	(36,890)	(37,505)
Acquisition and construction of capital assets	(100,207)	(111,895)
Proceeds from retirement of assets	163	119
Net cash used in capital financing activities	(149,109)	(151,140)
Cash flows from investing activities:		
Purchase of investments	(237,135)	(393,400)
Proceeds from maturities of investments	231,060	350,750
Interest on investments	3,057	2,470
Net cash used in investing activities	(3,018)	(40,180)
Net increase / (decrease) in cash and cash equivalents	9,142	(51,668)
Cash and cash equivalents, January 1	46,621	98,289
Cash and cash equivalents, December 31	$ 55,763	$ 46,621
Cash and cash equivalents Unrestricted	$ 37,350	$ 24,241
Cash and cash equivalents Restricted	18,413	22,380

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
(in thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 44,231	$ 32,418
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	57,190	56,057
Loss on disposal of assets	(1,220)	(91)
Change in provision for doubtful accounts	523	(61)
Miscellaneous nonoperating income, net	1,913	632
Change in assets and liabilities		
Increase in trade and other receivables	(4,740)	(1,586)
Increase in prepaids and other current assets	(1,250)	(1,243)
Decrease in inventories	124	210
Decrease / (increase) in dredging expenses paid in advance	100	(1,163)
Increase in accounts payable and other liabilities	8,222	4,479
Increase / (decrease) in compensated absences	763	(768)
Increase in revenues received in advance	1,425	1,254
Net cash provided by operating activities	$ 107,281	$ 90,138
Noncash investing, capital and financing activities:		
(Increase) / decrease in fair value of investments	$ (1,852)	$ 3,467

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Fiduciary Trust Net Position
As of December 31, 2014 and 2013
(in thousands)

	Defined Contribution 7/31/2014	Defined Contribution 7/31/2013	OPEB 12/31/2014	OPEB 12/31/2013
Assets				
Cash and cash equivalents	$ -	$ -	$ 4,068	$ 655
Investments	210	41	32,502	26,462
Total Assets	210	41	36,570	27,117
Liabilities				
Administrative fees	-	-	-	-
Total Liabilities	-	-	-	-
Assets held in trust for pension / OPEB	$ 210	$ 41	$ 36,570	$ 27,117

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Changes in Fiduciary Trust Net Position
For the Years Ended December 31, 2014 and 2013
(in thousands)

	Defined Contribution 7/31/2014	Defined Contribution 7/31/2013	OPEB 12/31/2014	OPEB 12/31/2013
Additions:				
Employer contributions	$ 161	$ 39	$ 10,397	$ 10,909
Net investment income	8	2	1,443	2,843
Total additions	169	41	11,840	13,752
Deductions:				
Benefit payments and withdrawals	-	-	(2,174)	(2,732)
Administrative expenses	-	-	(213)	(177)
Total deductions	-	-	(2,387)	(2,909)
Net increase in net position	169	41	9,453	10,843
Assets held in trust for pension / OPEB, beginning of year	41	-	27,117	16,274
Assets held in trust for pension / OPEB, end of year	$ 210	$ 41	$ 36,570	$ 27,117

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The Port of Houston Authority of Harris County, Texas ("Authority") is an independent political subdivision of the State of Texas, operating as a navigation district pursuant to Chapter 5007 of the Texas Special District Laws Code. 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"), each appoint one commissioner. Under state law, 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 exercises financial control 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 operations and activities of the Authority and its blended component unit for which the Port Commission has financial accountability as defined below. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

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 has issued industrial development revenue bonds to promote and develop commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare, and is currently legally active. PDC is considered a blended component unit of the Authority as the governing boards of the Authority and PDC are the same, and the Authority is able to impose its will on PDC, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34." There has been no financial activity for PDC since 2007.

Basis of Accounting

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of GASB pronouncements.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the Authority's financial statements, in conformity with accounting principles generally accepted in the United States, 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 amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record certain transactions, such as other postemployment benefits, allowances for doubtful accounts, loss contingencies, and insurance recoveries. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash, highly liquid time deposits, and short-term investments with original maturities of three months or less when purchased are classified herein as cash and cash equivalents.

Investments

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. Gains or losses due to market valuation changes as well as realized gains or losses are recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable

Trade receivables are shown net of an allowance for uncollectible accounts. Allowances are estimated at approximately 4% of total accounts receivable, based on historical experience. Bad debts are written off against the accounts receivable allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of expenses when received.

Inventory

Inventory consists of materials and supplies and is stated at cost.

Prepaid Items

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

1. Summary of Significant Accounting Policies (continued)

Maintenance 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 prepaid and other current assets and amortized over three years. Amortization for 2014 and 2013 amounted to $765 and $2,282, respectively, and is included in depreciation and amortization in the Statements of Revenues, Expenses and Changes in Net Position.

Property Taxes

Property taxes (net of collection expenses) are used to pay debt service on General Obligation bonds outstanding. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures generally in accordance with Harris County Appraisal District rules for rendition, appraisal, appraisal review, and judicial review. Property taxes are generally levied in October or November for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. The Harris County Tax Assessor-Collector 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, 2014 and 2013 were $1,175 and $994, respectively. These expenses are reflected as property tax expense in the Statements of Revenues, Expenses and Changes in Net Position. The tax rates levied on behalf of the Authority for the years ended December 31, 2014 and 2013 were $0.01531 and $0.01716, respectively, per one hundred dollars of assessed valuation.

Restricted Assets

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the Statements of Net Position. These assets are primarily restricted for construction and debt service purposes.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life of three years 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 assets or materially extend asset lives are expensed. The Authority capitalizes, as a cost of its constructed assets, the weighted average interest expense applied to average cumulative expenditures. Capitalized interest increased the cost of assets constructed by the Authority by $1,297 and $2,274 in 2014 and 2013, respectively. Depreciation is computed using

(in thousands)

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

the straight-line method over the following useful lives:

Railroads	25-40 years
Buildings	10-40 years
Improvements other than buildings	10-50 years
Machinery and equipment	3-20 years
Computer software - intangible	5 years

Premiums (Discounts) on Bonds Payable and Issuance Costs

Bond premiums and discounts are amortized using the effective interest method. Bond issuance costs are expensed as incurred. Bonds payable are reported net of the applicable bond premium or discount.

Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, which is administered by the Nationwide Trust Company, permits employees to defer income taxation on retirement savings into future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency.

Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued over the first nine months of the calendar year. 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 or retirement, 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, at their current pay rate.

Net Position

Net position represents the residual interest in the Authority's assets and deferred

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

outflows after liabilities and deferred inflows are deducted and consist of three sections: net investment in capital assets; restricted; and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties and consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The remaining net position that does not meet the definition of net investment in capital assets or restricted is classified as unrestricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from nonexchange transactions or ancillary activities.

The Authority's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs and from lease revenues associated with facilities located within the operating terminals. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases outside of the operating terminal combined with fees associated with a use agreement with respect to railroad rights-of-way. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to agreement terms.

Future Accounting Pronouncements

In June of 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. This Statement is effective for

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

financial statements for fiscal years beginning after June 15, 2014. The Authority plans implementation of this Statement in fiscal year 2015.

In November 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68."

Statement 68, referred to above, requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

In February 2015 the GASB issued Statement No. 72, "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The Authority anticipates implementation of the Statement in fiscal year 2016 and has not determined the impact of the implementation.

2. Cash and Investments

The Authority's cash and cash equivalents of $55,763 and $46,621 as of December 31, 2014 and 2013, respectively, are maintained in demand accounts, local government investment pools, and money market mutual funds managed by major fund managers. The demand account balance is fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in safekeeping at the Federal Reserve Bank in the Authority's name. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies.

In accordance with its Investment Policy and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), the Authority may invest in fully-collateralized or insured time deposits, direct debt securities of the United States or its agencies, municipal and state obligations, commercial paper, money market mutual funds, guaranteed investment contracts, bankers' acceptances, collateralized mortgage obligations, the underlying security for which is guaranteed by an agency of the United States, and local government investment pools. The Authority may also invest in fully-collateralized repurchase agreements as authorized by the PFIA under a master repurchase agreement which includes appropriate provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations, and governing law. The Authority held no investments in guaranteed investment contracts, bankers' acceptances, or repurchase agreements during 2014 or 2013. In April of 2013, the Authority liquidated its investments in local government investment pools as part of its strategy to invest in higher yielding instruments, within its Investment Policy objectives of safety of principal, liquidity, and yield.

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 Investment Policy does not allow any fixed income securities below the rating of A. U.S. Agencies are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Commercial paper must be rated at least A-1 or better by Standard & Poor's or P-1 or better by Moody's Investors Service or an equivalent rating.

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in securities of a few issuers. The Authority's investments at December 31, 2014 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

2. Cash and Investments (continued)

Commercial Paper:	
Abbey National North America LLC	6%
Deutsche Bank Financial LLC	5%
Credit Agricole North America, Inc.	13%
Natixis U.S. Finance Company, LLC	11%
U.S. Agency Securities:	
Federal Home Loan Mortgage Corporation	20%
Federal National Mortgage Association	30%

These securities meet the diversification and credit quality requirements specified in the Investment Policy.

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 minimizes this risk by generally holding long-term fixed-rate securities to maturity.

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, 2014 and 2013, the Authority had no foreign currency risk.

(in thousands)

2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2014.

Security Type	Ratings	Fair Value	Weighted Average Maturity
Agency Securities:			
FHLMC NOTE	AA+/Aaa	$ 19,915	0.26
FHLMC NOTE	AA+/Aaa	24,646	0.49
FHLMC NOTE	AA+/Aaa	24,935	0.28
FNMA NOTE	AA+/Aaa	19,878	0.29
FNMA NOTE	AA+/Aaa	19,709	0.39
FNMA NOTE	AA+/Aaa	29,715	0.54
FNMA NOTE	AA+/Aaa	34,729	0.48
Total		173,527	
Commercial Paper:			
Abbey Nat'l N America	A-1/P-1	19,966	0.10
Credit Agricole	A-1/P-1	19,979	0.07
Credit Agricole	A-1/P-1	24,968	0.11
Deutsche Bank Financial	A-1/P-2	17,498	0.01
Natixis Finance	A-1/P-1	14,998	0.01
Natixis Finance	A-1/P-1	24,998	0.01
Total		122,407	

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity
Municipal Bonds:			
City of Carmel, IN Redev Auth	AA+	2,163	0.07
City of Carmel, IN Redev Auth	AA+	2,699	0.11
City of Carmel, IN Redev Auth	AA+	2,806	0.14
Fresno Cty CA Fina Auth Lease Rev	AA-	2,026	0.06
Harris Cty Hou Sports Auth Rev	A-/A2	3,777	0.14
Indiana Bond Bk Rev	AA+	5,001	0.00
Jackson Cty, MO	Aa3	1,076	0.02
Metro Nashville & Davidson Cty TN GO	AA/Aa2	2,011	0.06
N Orange Cty CA CC Dist	AA/Aa1	4,273	0.22
NJ Eco Develop Auth Sch Const	A-1\A2	3,563	0.03
NY ST Dorm Auth Tax Rev	AAA/Aa1	1,501	0.00
NY ST Dorm Auth Tax Rev	AAA/Aa1	1,506	0.03
NY ST Envrnmntl Fac Rev	AAA/Aaa	1,480	0.05
OK Cty Fina Auth Ed Rev	A+	5,034	0.31
PMA WI Levy & Aid	MIGI	7,367	0.12
San Bernardino CA Cmty Clg	AA-/Aa2	1,250	0.06
St. Louis MO Spl Admin Sch Dist	AA+	1,304	0.03
St. Louis MO Spl Admin Sch Dist	AA+	2,126	0.09
State of CT GO	AA/Aa3	1,001	0.03
Total		51,964	
Total Fair Value		$ 347,898	
Portfolio Weighted Average Maturity			1.79
Total Investments		$ 347,898	-

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2014, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 1.52 years.

(in thousands)

2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2013.

Security Type	Ratings	Fair Value	Weighted Average Maturity
Agency Securities:			
FHLMC NOTE	AA+/Aaa	$ 19,890	0.44
FHLMC NOTE	AA+/Aaa	24,371	0.73
FNMA NOTE	AA+/Aaa	34,409	0.80
FNMA NOTE	AA+/Aaa	19,670	0.47
FNMA NOTE	AA+/Aaa	29,266	0.82
FNMA NOTE	AA+/Aaa	19,425	0.59
Total		147,031	
Commercial Paper:			
Abbey Nat'l N America	A-1/P-1	14,999	0.00
Abbey Nat'l N America	A-1/P-1	14,999	0.01
Abbey Nat'l N America	A-1/P-1	19,988	0.05
Credit Agricole	A-1/P-1	9,987	0.04
Credit Agricole	A-1/P-1	9,986	0.05
Credit Agricole	A-1/P-1	9,986	0.05
Natixis Finance	A-1/P-1	19,999	0.01
Natixis Finance	A-1/P-1	9,999	0.00
Societe Generale	A-1/P-1	24,987	0.06
Societe Generale	A-1/P-1	14,990	0.04
Total		149,920	

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity
Municipal Bonds:			
Baldwin Park USD, GA GO	SP-1/A+	6,051	0.08
City of Carmel, IN Redev Auth	AA+	2,144	0.13
City of Carmel, IN Redev Auth	AA+	2,628	0.19
City of Carmel, IN Redev Auth	AA+	2,723	0.23
Fresno Cty CA Fina Auth Rev	AA-	2,058	0.13
Indiana Bond Bk Rev	AA+	5,016	0.12
Jackson Cty, MO	Aa3	1,098	0.05
Metro Nashville & Davidson Cty TN GO	AA/Aa1	1,992	0.12
N Orange Cty CA CC Dist	AA/Aa1	4,213	0.36
NY St Dorm Auth Tax Rev	AAA/AA	1,494	0.07
NY St Dorm Auth Tax Rev	AAA/AA	1,497	0.04
NY St Envrnmntl Fac Rev	AAA/Aaa	1,470	0.10
OK Cty Fina Auth Ed Rev	A+	5,102	0.50
San Bernardino CA Cmty Clg	AA-/Aa2	1,213	0.10
St. Louis MO Spl Admin Sch Dist	AA+	1,323	0.07
St. Louis MO Spl Admin Sch Dist	AA+	2,128	0.16
State of CT GO	AA/Aa3	1,004	0.07
Total		43,154	
Total Fair Value		340,105	
Portfolio Weighted Average Maturity			2.12
Stock received from bankrupt tenant		2	N/A
Total Investments		$ 340,107	-

N/A - not applicable

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2013, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 1.85 years.

(in thousands)

3. Receivables

Receivables as of December 31 including the applicable allowances for uncollectible accounts are as follows:

	2014	2013
Trade Receivables, Net		
Trade receivables	$ 27,115	$ 22,377
Damage claims receivable	296	291
Allowance for doubtful accounts	(1,230)	(707)
Total trade receivables, net	26,181	21,961
Other Receivables		
Interest receivable	563	531
Due from federal agencies	-	1,109
Other	5	6
Total other receivables	568	1,646
Total Receivables, Net	$ 26,749	$ 23,607

(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 102,495	$ -	$ -	$ 102,495
Land use rights - intangible	11,246	329	-	11,575
Channel land	280,134	4,220	-	284,354
Construction-in-progress	113,983	104,241	(95,868)	122,356
Total capital assets not being depreciated	507,858	108,790	(95,868)	520,780
Capital assets being depreciated				
Buildings	162,962	1,885	(270)	164,577
Improvements other than buildings	1,027,997	57,809	-	1,085,806
Railroads	59,929	-	-	59,929
Machinery and equipment	336,274	31,729	(18,779)	349,224
Computer software - intangible	9,798	-	-	9,798
Total capital assets being depreciated	1,596,960	91,423	(19,049)	1,669,334
Less accumulated depreciation for				
Buildings	(73,355)	(4,821)	270	(77,906)
Improvements other than buildings	(373,751)	(30,370)	-	(404,121)
Railroads	(34,001)	(1,271)	-	(35,272)
Machinery and equipment	(185,266)	(17,860)	17,561	(185,565)
Computer software - intangible	(5,311)	(1,755)	-	(7,066)
Total accumulated depreciation	(671,684)	(56,077)	17,831	(709,930)
Total capital assets being depreciated, net	925,276	35,346	(1,218)	959,404
Total capital assets, net	$ 1,433,134	$ 144,136	$ (97,086)	$ 1,480,184

(in thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 101,587	$ 908	$ -	$ 102,495
Land use rights - intangible	10,667	579	-	11,246
Channel land	276,041	4,093	-	280,134
Construction-in-progress	90,840	117,687	(94,544)	113,983
Total capital assets not being depreciated	479,135	123,267	(94,544)	507,858
Capital assets being depreciated				
Buildings	156,650	6,312	-	162,962
Improvements other than buildings	960,773	67,224	-	1,027,997
Railroads	59,929	-	-	59,929
Machinery and equipment	343,762	15,705	(23,193)	336,274
Computer software - intangible	8,362	1,436	-	9,798
Total capital assets being depreciated	1,529,476	90,677	(23,193)	1,596,960
Less accumulated depreciation for				
Buildings	(68,655)	(4,700)	-	(73,355)
Improvements other than buildings	(345,963)	(27,788)	-	(373,751)
Railroads	(32,726)	(1,275)	-	(34,001)
Machinery and equipment	(190,593)	(17,775)	23,102	(185,266)
Computer software - intangible	(3,423)	(1,888)	-	(5,311)
Total accumulated depreciation	(641,360)	(53,426)	23,102	(671,684)
Total capital assets being depreciated, net	888,116	37,251	(91)	925,276
Total capital assets, net	$ 1,367,251	$ 160,518	$ (94,635)	$ 1,433,134

(in thousands)

5. Operating Leases

The Authority leases temporary office buildings and office equipment under a variety of agreements. Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended December 31, 2014 and 2013 were $366 and $386, respectively. As of December 31, 2014, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2015	$ 349
2016	318
2017	277
2018	18
Total	$ 962

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2014, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending	Future Minimum Lease Rentals
2015	$ 27,650
2016	27,537
2017	24,819
2018	22,438
2019	21,315
Thereafter	239,417
Total	$ 363,176

(in thousands)

6. Long-Term Debt and Noncurrent Liabilities

The following is a summary of bonds payable and other noncurrent liabilities, and the changes therein, which comprise the Authority's long-term liabilities for the years ended December 31, 2014 and 2013.

Changes in Long-Term Liabilities - 2014

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 717,624	$ -	$ (15,245)	$ 702,379	$ 15,950	
Accreted interest on capital appreciation bonds	154	63	-	217	-	
Less unamortized premiums / discounts, net	36,520	-	(2,371)	34,149	-	
Total Bonds Payable	754,298	63	(17,616)	736,745	15,950	
Other Noncurrent Liabilities						
Net OPEB obligation	32,556	6,395	(11,363)	27,588	-	
Compensated absences	4,740	5,324	(4,561)	5,503	566	*
Fees received in advance	5,364	2,397	(2,491)	5,270	1,013	*
Claims liability	3,502	1,267	(924)	3,845	-	
Other liabilities	-	14,070	-	14,070	-	
Total Other Noncurrent Liabilities	$ 46,162	$ 29,453	$ (19,339)	$ 56,276	$ 1,579	

* Included in accounts payable and other current liabilities

The Authority's long-term debt consists primarily of ad valorem tax General Obligation bonds. Repayment of the outstanding principal of these General Obligation bonds and interest thereon is made from property taxes. During 2014 and 2013, the Authority did not issue or refund any bonds.

(in thousands)

6. Long-Term Debt and Noncurrent Liabilities (continued)

Changes in Long-Term Liabilities - 2013

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 731,969	$ -	$ (14,345)	$ 717,624	$ 15,245	
Accreted interest on capital appreciation bonds	102	52	-	154	-	
Less unamortized premiums / discounts	39,058	-	(2,538)	36,520	-	
Total Bonds Payable	771,129	52	(16,883)	754,298	15,245	
Other Noncurrent Liabilities						
Net OPEB obligation	37,072	6,711	(11,227)	32,556	-	
Compensated absences	5,508	4,007	(4,775)	4,740	473	*
Fees received in advance	4,974	3,972	(3,582)	5,364	1,013	*
Claims liability	2,736	1,603	(837)	3,502	-	
Total Other Noncurrent Liabilities	$ 50,290	$ 16,293	$ (20,421)	$ 46,162	$ 1,486	

* Included in accounts payable and other current liabilities

6. Long-Term Debt and Noncurrent Liabilities (continued)

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

Outstanding Long-Term Debt

	Original Issue	Interest Rate % *	Issue Date	Maturity	December 31 2014	December 31 2013
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2004	$ 9,000	3.00-5.00	12/8/2004	2016	$ 1,370	$ 2,075
Series 2005A	36,665	4.25-5.00	9/8/2005	2023	32,745	36,665
Series 2005B	62,485	4.125-5.00	6/8/2005	2023	58,315	58,315
Series 2006A	28,380	5.00	7/19/2006	2017	7,685	10,275
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	47,085	47,085
Series 2006C	9,160	4.00-5.00	10/18/2006	2031	9,160	9,160
Series 2008A	234,630	5.625-6.25	7/24/2008	2038	182,045	182,045
Series 2010A	38,095	1.00-5.00	2/17/2010	2019	18,475	22,205
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	15,940	17,170
Series 2010C	30,254	2.00-5.37	2/3/2010	2033	28,934	29,274
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	22,050	22,330
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	39,990	42,440
					611,734	626,979
Unamortized premiums / (discounts), net					29,526	31,791
Series 2010C and 2010E CAB Accretion, net					217	154
Unlimited Tax Refunding Bonds, net					641,477	658,924
Unlimited Tax Port Improvement Bonds						
Series 2002A	16,000	3.00-5.00	12/12/2002	2027	4,980	4,980
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					90,645	90,645
Unamortized premiums / (discounts), net					4,623	4,729
Unlimited Tax Port Improvement Bonds, net					95,268	95,374
Total Debt					736,745	754,298
Less Current Maturities					(15,950)	(15,245)
Long - Term Debt (net of unamortized premiums / (discounts))					$ 720,795	$ 739,053

* Interest rate of original issue

(in thousands)

6. Long-Term Debt and Noncurrent Liabilities (continued)

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2014 are as follows:

Year Ending December 31	Bond Principal General Obligation	Capital Appreciation Bond Accreted Interest	Bond Interest General Obligation	Total
2015	$ 15,950	$ -	$ 36,194	$ 52,144
2016	16,725	-	35,425	52,150
2017	19,720	-	34,617	54,337
2018	20,685	-	33,730	54,415
2019	22,420	-	32,709	55,129
2020-2024	118,035	-	146,174	264,209
2025-2029	131,755	-	116,485	248,240
2030-2034	157,894	13,846	77,804	249,544
2035-2039	199,195	4,130	30,926	234,251
	$ 702,379	$ 17,976	$ 544,064	$ 1,264,419

Bond Refundings

Bonds generally mature serially based on stated maturity dates. However, bonds may be redeemed prior to their maturities if provided for under the applicable bond indenture.

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 and ad valorem taxes levied. These assets can be used only in accordance with the terms of the bond resolutions to fund 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, if applicable, for each issue every five years. There was no arbitrage liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2014 and 2013. The estimated liability is updated annually for any tax-exempt issuance or changes in

6. Long-Term Debt and Noncurrent Liabilities (continued)

Arbitrage (continued)

yields until payment of the calculated liability is due.

7. Bayport Facilities

Certain facilities at Bayport were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and advances from the developer of an adjacent industrial park. The developer also advanced to the Authority amounts necessary to cover bond repayments, and maintenance and operating expenses of these Bayport facilities.

Effective October 27, 1997, the Authority, the developer, and other operators within the Bayport area ("the Bayport operators") entered into an Agreement of Compromise and Settlement (the "Agreement") that resolved various legal disputes in connection with the these arrangements.

Past liabilities under the Agreement were paid in full during fiscal 2012. The Agreement remains in effect with regards to user fees to be paid by the Bayport operators and the Authority, with such funds accumulated by the Authority in order to fund future capital expenditures associated with the Bayport channel.

8. Retirement Plans

Defined Benefit Plan Description

The Authority sponsors the Port of Houston Authority Restated Retirement Plan ("Plan"), a single-employer defined benefit plan covering eligible employees hired prior to August 1, 2012. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan described below. The Plan is a governmental plan not subject to the federal Employee Retirement Income Security Act of 1974 ("ERISA"), and contributions are solely made by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. Compass Bank (the "Trustee") serves as trustee of the Plan. The Plan issues a stand-alone financial report that is available on the Authority's website (www.portofhouston.com) and may also be obtained by requesting such report from the Port of Houston Authority, P.O. Box 2562, Houston, TX 77252, Attention: Controller. The Authority's payroll for employees covered by the Plan for the fiscal years ended July 31, 2014 and 2013 was $31,377 (69% of the total payroll of $45,075) and $33,690 (75% of the total payroll of $44,693), respectively.

Plan participants become vested after completion of five (5) years of employment. Vested employees are eligible to receive benefits upon Normal Retirement, Early

8. Retirement Plans (continued)

Defined Benefit Plan Description (continued)

Retirement, or Late Retirement (capitalized terms in this paragraph are from the plan documents). The Plan also provides for disability and survivor death benefits. The Normal Retirement Benefit (equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years) is payable monthly for a minimum of five years certain and for life thereafter, with other payment options available, if an employee retires on the Normal Retirement Date after attaining age 65. The Early Retirement Benefit is available 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 for both Early Retirement and Late Retirement. Vested employees whose employment ends for reasons other than for retirement, disability, or death, receive a pension benefit upon reaching the Normal Retirement Date or Early Retirement Date.

(in thousands)

8. Retirement Plans (continued)

Investment Valuation and Income Recognition

Investments are stated at fair value. If available, quoted market prices are used to value investments. In the case of any unlisted asset, the Trustee will determine the market value utilizing pricing obtained from independent pricing services. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Concentration of Credit Risk

Concentration of credit risk exists when investments are concentrated in securities of a few issuers. The Plan's investment policy limits the amount that may be invested in any one issuer.

As of July 31, 2014 and 2013, the Plan had the following investments in excess of 5% of net investments:

	2014	2013
Loomis Sayles Inst High Income (Cusip 543495600)	$ 8,623,444	$ 7,558,572
Cohen & Steers Inst Realty Shares (Cusip 19247U106)	9,269,614	7,646,908
Causeway International Value - Ins (Cusip 14949P208)	20,591,096	-
Total	$ 38,484,154	$ 15,205,480

The above investments are diversified mutual funds with distinctly different investment objectives, and fully comply with the Plan's investment policy.

Causeway International Value invests in international value stocks. As of December 31, 2014, the fund had net assets of $6.4 billion and the top holdings represented 28.6% of the portfolio. Cohen & Steers Institutional Realty Shares is a diversified portfolio of real estate securities and REITs. The fund had net assets of $3.1 billion on December 31, 2014, and the top holdings represented 47.4% of the portfolio. Loomis Sayles Institutional High Income Fund seeks high returns primarily by investing in high yield bonds, convertible securities, preferred stocks and equities which provide a combination of current income and capital appreciation. As of December 31, 2014, the fund had net assets of $657 million.

Funding Policy

The Authority's funding policy is to make cash contributions to the Plan in amounts computed by the Plan's independent actuary using the entry age normal cost method and includes amortization of the unfunded accrued liability over a 30-year period.

(in thousands)

8. Retirement Plans (continued)

Funding Policy (continued)

Port of Houston Authority Restated Retirement Plan
Schedule of Funding Progress

a) Actuarial Valuation Date	**August 1, 2014**
b) Actuarial Value of Assets	$164,816
c) Actuarial Accrued Liability (AAL)	$157,814
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	$(7,002)
e) Funded Ratio (b/c)	104.4%
f) Annual Covered Payroll (Actuarial)	$31,377
g) UAAL as a % of Covered Payroll (d/f)	(22.3)%

For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitation, of which none exist as of December 31, 2014.

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 unfunded actuarial accrued liability.

Actuarial Methods and Assumptions

Actuarial Valuation Date	**August 1, 2014**	**August 1, 2013**	**August 1, 2012**
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Period in Years	Various	Various	Various
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions			
Investment Return	7.00%	7.25%	7.25%
Projected Salary Increases	3.0%-7.5%	3.0%-7.5%	3.0%-7.5%
Inflation	2.50%	2.50%	2.75%
Cost of Living Adjustment	None	None	None

Components of the unfunded actuarial liability are amortized as level-dollar amounts using closed-basis amortization. The closed-basis amortization method amortizes actuarial bases over a fixed number of years with a defined beginning and end.

(in thousands)

8. Retirement Plans (continued)

Actuarially Determined Contribution Requirements and Contributions Made (continued)

Components consisting of actuarial gains and losses are amortized over five years while components consisting of amendments are amortized over 30 years; lastly, components consisting of revised assumptions are amortized over ten years. The resulting equivalent single amortization base is amortized over a maximum of 30 years. As of the valuation dates August 1, 2014 and August 1, 2013, the equivalent single amortization period decreased to 0 years from 4 years, respectively, with "zero" years reflecting a fully funded position.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year information regarding the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

Plan Statistics
For Plan Years July 31, 2014, 2013, and 2012

	2014	2013	2012
Actuarial Determined Annual Pension Cost (APC)	$5,278	$9,870	$8,133
Contribution Made	$8,282	$9,870	$8,133
% of APC Contributed	156.9%	100%	100%
Net Pension Obligation	None	None	None

Defined Contribution Plan Description

In July of 2012, the Port Commission authorized creation of the Port of Houston Authority Defined Contribution Plan ("DC Plan"), a contributory benefit plan covering all permanent, full-time employees hired on or after August 1, 2012. The Authority manages the operation and administration of the DC Plan and the Authority's Deputy Executive Director of Finance and Administration serves as trustee. The Port Commission maintains the authority to amend the DC Plan provisions, including revisions in contribution requirements and investment alternatives offered to employees.

The DC Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions are tax-deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual retirement accounts to the DC Plan. The Authority, as Plan Sponsor, may make Employer Contributions to the DC Plan at its discretion.

(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

Contributions from the Authority to an employee's account are based on a percentage of base salary:

Years of Service	% Contribution by the Authority
0 to 5	3.5%
6 to 10	4.5%
11 to 15	5.5%
16 to 20	6.5%
21 or more	7.5%

DC Plan benefits are to be paid to employees with at least five (5) years of service, or to their beneficiaries. Contributions on behalf of each employee are invested in accordance with the employee's instructions, entirely in one fund or in any combination of the investment options offered. Individual accounts are maintained for each DC Plan participant. If applicable, each employee's account is credited with the Authority's contribution and investment earnings and charged with withdrawals and investment losses. The Authority funds administrative expenses associated with the plan from its general fund.

The Authority contributed $161 and $39 during the plan's fiscal year ending July 31, 2014 and 2013, respectively.

9. Postemployment Retiree Benefits

Plan Description

In addition to retirement benefits as described in Note 8, it is the current policy of the Authority to provide certain postemployment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). At December 31, 2014 and 2013, there were 329 and 328 retirees, respectively, who were eligible for these benefits. The Authority funds all of the premiums for retiree life insurance and the majority of the health insurance premiums. Notwithstanding any accounting and financial reporting characterization herein, continuation of these benefits and the Authority's contributions to the trust are dependent on periodic authorization by the Port Commission.

The OPEB Plan does not issue stand-alone financial reports, but includes the OPEB Plan Net Position in the fiduciary fund statements and presents the Net OPEB Obligation in the noncurrent liabilities section of the Statements of Net Position.

The health insurance benefits provided to pre-Medicare retirees are the same as those

9. Postemployment Retiree Benefits (continued)

Plan Description (continued)

offered to active employees. In addition, Medicare-eligible retirees have the option of enrolling in Medicare Risk plans offered by the Authority or securing their own insurance and receiving a monthly reimbursement from the Authority for a portion of the cost. 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 and is valued at a flat $5, $10 or $15.

Effective January 1, 2010, new hires become eligible for Postemployment Benefits after completion of 12 years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the Authority are eligible for Postemployment Benefits. An eligible employee may elect coverage for his or her dependents.

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

The widow/widower of a retiree who has health care coverage through the Authority may continue coverage upon the death of the retiree.

Funding Policy

The Authority's contribution is based on projected pay-as-you-go basis, which is expected to continue. For the years ended December 31, 2014 and 2013, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,034 and $2,584, respectively. Retiree life-benefit costs for 2014 and 2013 were $140 and $148, respectively.

During 2011, the Authority entered a multiple-employer pooled account trust designed to prefund postemployment benefits for the Authority's eligible retired employees and their eligible dependents. The PEB Trust Board of Trustees serves as the trustee for the trust assets. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $32,000 to the trust through December 31, 2014.

Investment Valuation and Income Recognition

Investments are stated at fair value. If available, quoted market prices are used to value investments. In the case of any unlisted asset, the trustee will determine the

9. Postemployment Retiree Benefits (continued)

Investment Valuation and Income Recognition (continued)

market value utilizing pricing obtained from independent pricing services. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) is calculated based on the annual contribution of the employer ("ARC") actuarially determined in accordance with parameters of GASB Statement No. 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)

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	2014	2013
Normal Cost at year end	$ 3,029	$ 3,029
Amortization of UAAL	3,539	3,879
Annual Required Contribution (ARC)	6,568	6,908
Determination of Net OPEB Obligation		
Annual Required Contribution	6,568	6,908
Interest on prior year Net OPEB Obligation	2,279	2,595
Adjustment to ARC	(2,452)	(2,792)
Annual OPEB Cost	6,395	6,711
Contributions made	(11,363)	(11,227)
Decrease in Net OPEB Obligation	(4,968)	(4,516)
Net OPEB Obligation - beginning of year	32,556	37,072
Net OPEB Obligation - end of year	$ 27,588	$ 32,556

The end of year net OPEB Obligation is shown as a noncurrent liability on the Statements of Net Position.

The table below reflects the schedule of OPEB Funding Progress.

a) Actuarial Valuation Date	January 1, 2014 *	January 1, 2013	January 1, 2012
b) Actuarial Value of Assets	$ 27,151	$ 16,274	$ -
c) Actuarial Accrued Liability (AAL)	60,737	57,052	56,476
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	33,586	40,778	56,476
e) Funded Ratio (b/c)	44.7 %	28.5 %	- %
f) Annual Covered Payroll (Actuarial)	33,690	34,615	34,939
g) UAAL as a % of Covered Payroll (d/f)	99.7 %	117.8 %	161.6 %

*Actuarial valuations are performed every two years.

The following table shows the annual OPEB cost and net OPEB obligation.

Plan Year Ended	2014	2013	2012
Annual OPEB cost	$ 6,395	$ 6,711	$ 7,731
Percentage of OPEB Cost Contributed	177.7 %	167.3 %	139.1 %
Net OPEB Obligation	$ 27,588	$ 32,556	$ 37,072

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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 healthcare cost trends. These determinations 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 future events. 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 Accrued 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 Accrued Liability is the difference between the Actuarial Accrued 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. The actuarial valuation used a closed amortization period with an equivalent single amortization period of 20 years as of the latest measurement. Actuarial assumptions used included a discount rate of 7.00% compounded annually, inflation rate of 2.75%, investment return of 7.00%, mortality table, withdrawal rates, disability rates, retirement rates,

(in thousands)

9. Postemployment Retiree Benefits (continued)

Actuarial Methods and Assumptions (continued)

participation, health care cost trend rates, marriage assumptions, annual retiree claim costs, age slope, and retiree premiums. The effect on the actuarial valuation from revised mortality tables released in October of 2014 has not been determined.

The health care cost trend rates assume claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features, and Medicare coordination. The health care cost trend rate used for the 2014 valuation was 6.0% trending down to 4.7% (pre-Medicare) and 6.0% trending down to 5.1% (post-Medicare) over 72 years.

10. Risk Management

The Authority is exposed to risk of financial loss from property and casualty exposures. Property exposures include potential losses due to fire, windstorm, and other perils that could damage or destroy assets and result in loss of income should specific assets be shut down for an extended period of time. Casualty exposures include potential losses resulting from third-party claims for bodily injury and/or property damage arising from the Authority's operations and/or ownership of its assets, as well as workers' compensation claims.

Effective March 1, 2010, the Authority began self-insuring the initial $350 of any workers' compensation and liability claim. Effective March 1, 2011, the Authority increased its self insured retention ("SIR") for any workers' compensation claim to $500. It has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. The Authority maintains $20,000 in excess coverage above its $350 SIR for liability claims. The balance of claim liabilities at December 31, 2014 and 2013 was $3,845 and 3,502, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013	$ 2,736	$ 1,595	$ (829)	$ 3,502
2014	$ 3,502	$ 1,267	$ (924)	$ 3,845

As of December 31, 2014 the Authority had no liability for workers' compensation, general liability, or auto liability claims which occurred prior to March 1, 2010.

State law limits, or "caps", the Authority's maximum liability exposure for any single occurrence involving general or automobile liability. These limits cap the Authority's

10. Risk Management (continued)

liability at $100 maximum per person for bodily injury or death per occurrence; $300 maximum for all persons for bodily injury or death per occurrence; and $100 maximum for property damage per occurrence.

These claim liabilities include an estimate for allocated claims-adjustment expenses and are based on actuarial assessment of loss development factors, trend rates, and loss costs. The liability is included in the noncurrent liabilities section of the Statements of Net Position.

Claims liability, if any, 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 is based upon actual reserves and is not considered material.

11. Commitments and Contingencies

Commitments

At December 31, 2014 and 2013, the Authority had commitments of approximately $42,745 and $11,966, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

Litigation and Claims

The Authority is a defendant in various legal actions, and may become involved in other disputes arising in the normal course of business; it cannot predict the results of such matters. 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 matters described below.

The Authority is a 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 with Zachry in June 2004 for the construction of the initial 1,660 feet of dock at Bayport. A change order later added an additional 332 feet of dock. Zachry originally intended to construct the dock "in the dry" behind an earthen cofferdam, which was to be made rigid and water impermeable through soil freezing technology.

In general, Zachry sought to fault the Authority for Zachry's decision to abandon the

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

plan to freeze the cofferdam and complete the work "in the wet." Zachry also claimed that the Authority wrongfully withheld $2,600 in liquidated damages. The Authority disputed all of Zachry's contentions.

The case proceeded to a jury trial on October 20, 2009 and ended with an adverse jury verdict returned on January 21, 2010 after 35 days of evidence. On April 28, 2010, judgment was entered by the trial court in favor of Zachry on its claims totaling $19,993, with prejudgment interest totaling $3,451. The trial court denied the Authority's motions for judgment non obstante veredicto and for new trial, and sustained the Authority's objections to Zachry's notice to obtain additional "taxable costs" in addition to the judgment.

The Authority and Zachry cross-appealed the lower court's judgment. The parties' briefing of this matter concluded in September 2011 and oral argument took place in October 2011.

On August 9, 2012, the court of appeals rendered its opinion. A majority made the following rulings: (1) Zachry's breach of contract claim is barred by the "no-damages-for-delay" provision in the contract because all of Zachry's damages are delay damages; (2) the evidence was factually and legally sufficient to support the $970 offset that the Authority obtained for Zachry's work on the wharf fenders; and (3) the award of $10,500 in attorneys' fees to the Authority is supported by factually sufficient evidence.

In September 2012, Zachry filed a petition for review with the Texas Supreme Court. Following briefing by the parties, the court granted review on August 23, 2013, and oral argument took place in November 6, 2013.

On August 29, 2014, the Texas Supreme Court rendered its opinion. A majority reversed the Court of Appeals on its rulings (1) (finding that the "no-damages-for-delay" provision was unenforceable) and (3) above. It additionally found that Zachry was entitled to recover $2,360 withheld by the Authority as liquidated damages. Finally, the Supreme Court remanded the case back to the Court of Appeals for consideration of other issues raised by the Authority.

Due to the continued pendency of the case, the Authority determined that recognition of a loss contingency in the financial statements was appropriate. The Authority intends to continue to vigorously prosecute the appeal.

The Authority is a defendant in a breach of contract action brought by Structural

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

Concrete Systems, LLC ("SCS") in Harris County District Court in October 2014. The lawsuit arises out of a contract which the Authority awarded to SCS in December 2012 for the repair of shear walls and installation of rubber fenders along approximately 734 feet of dock on the south side of the Authority's Turning Basin Terminal. The work was originally scheduled to take approximately five months, but SCS ultimately took approximately thirteen months to reach substantial completion.

In the action, SCS claims the Authority actively interfered with SCS's ability to perform the work by failing to fulfill its sequencing and scheduling obligations under the contract. SCS claims it is entitled to $1,000, plus additional amounts for attorneys' fees, interest, penalties, and costs. The Authority has filed an answer disputing all of SCS's contentions. The parties have exchanged some written discovery, but have yet to schedule any depositions. The action is set for trial on December 7, 2015.

The Authority is not in a position at this time to determine the likelihood of an unfavorable outcome or to estimate the amount or range of potential loss, if any, for this matter. The Authority intends to vigorously contest this matter.

12. Subsequent Event

In February of 2015, the Authority established a new, standalone trust for other postemployment benefits ("OPEB") assets and transferred all holdings from the multiple employer pooled account with PEB Trust of Texas into this new trust with Compass Bank acting as trustee.

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority Restated Retirement Plan
Schedule of Funding Progress

(in thousands)
(unaudited)

a) Actuarial Valuation Date	August 1, 2014	August 1, 2013	August 1, 2012
b) Actuarial Value of Assets	$ 164,816	$ 151,455	$ 129,522
c) Actuarial Accrued Liability (AAL)	$ 157,814	$ 150,380	$ 139,259
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	$ (7,002)	$ (1,075)	$ 9,737
e) Funded Ratio (b/c)	104.4 %	100.7 %	93.0 %
f) Annual Covered Payroll (Actuarial)	$ 31,377	$ 33,690	$ 35,082
g) UAAL as a % of Covered Payroll (d/f)	(22.3)%	(3.2)%	27.8 %

Port of Houston Authority OPEB Trust
Schedule of Funding Progress

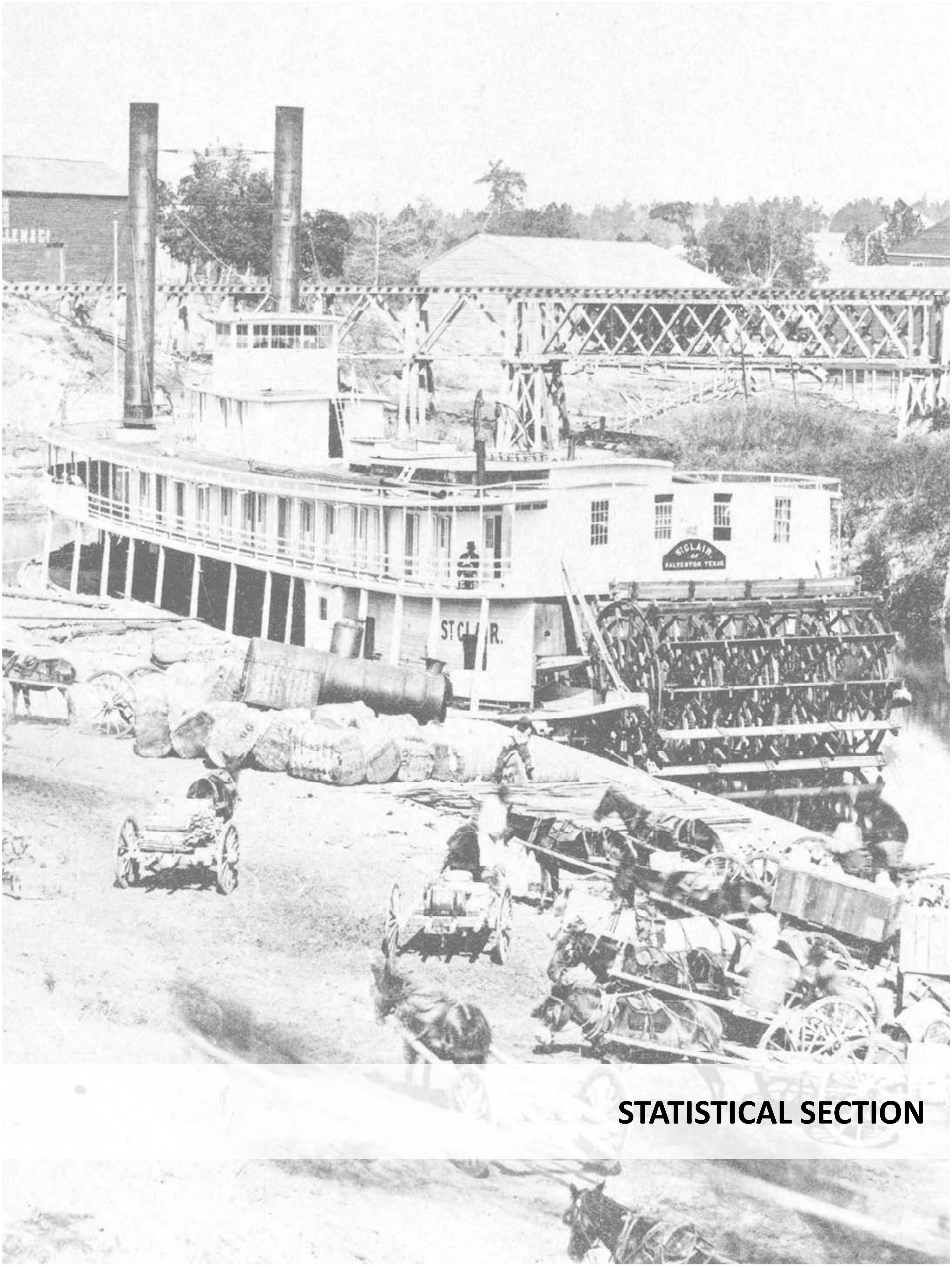
(in thousands)
(unaudited)

a) Actuarial Valuation Date	January 1 2014	January 1 2013	January 1 2012
b) Actuarial Value of Assets	$ 27,151	$ 16,274	$ -
c) Actuarial Accrued Liability (AAL)	$ 60,737	$ 57,052	$ 56,476
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	$ 33,586	$ 40,778	$ 56,476
e) Funded Ratio (b/c)	44.7 %	28.5 %	- %
f) Annual Covered Payroll (Actuarial)	$ 33,690	$ 34,615	$ 34,939
g) UAAL as a % of Covered Payroll (d/f)	99.7 %	117.8 %	161.6 %

Port of Houston Authority OPEB Trust
Schedule of Employer Contributions

(in thousands)
(unaudited)

Plan Year Ended	2014	2013	2012
Annual Required Contribution (ARC)	$ 6,568	$ 6,908	$ 7,913
Percentage of ARC Contributed	173 %	163 %	136 %



STATISTICAL SECTION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context to better understand what the information in the financial statements, note disclosures, and required supplementary information discloses concerning the Authority's overall financial health.

Contents

Financial Trends
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

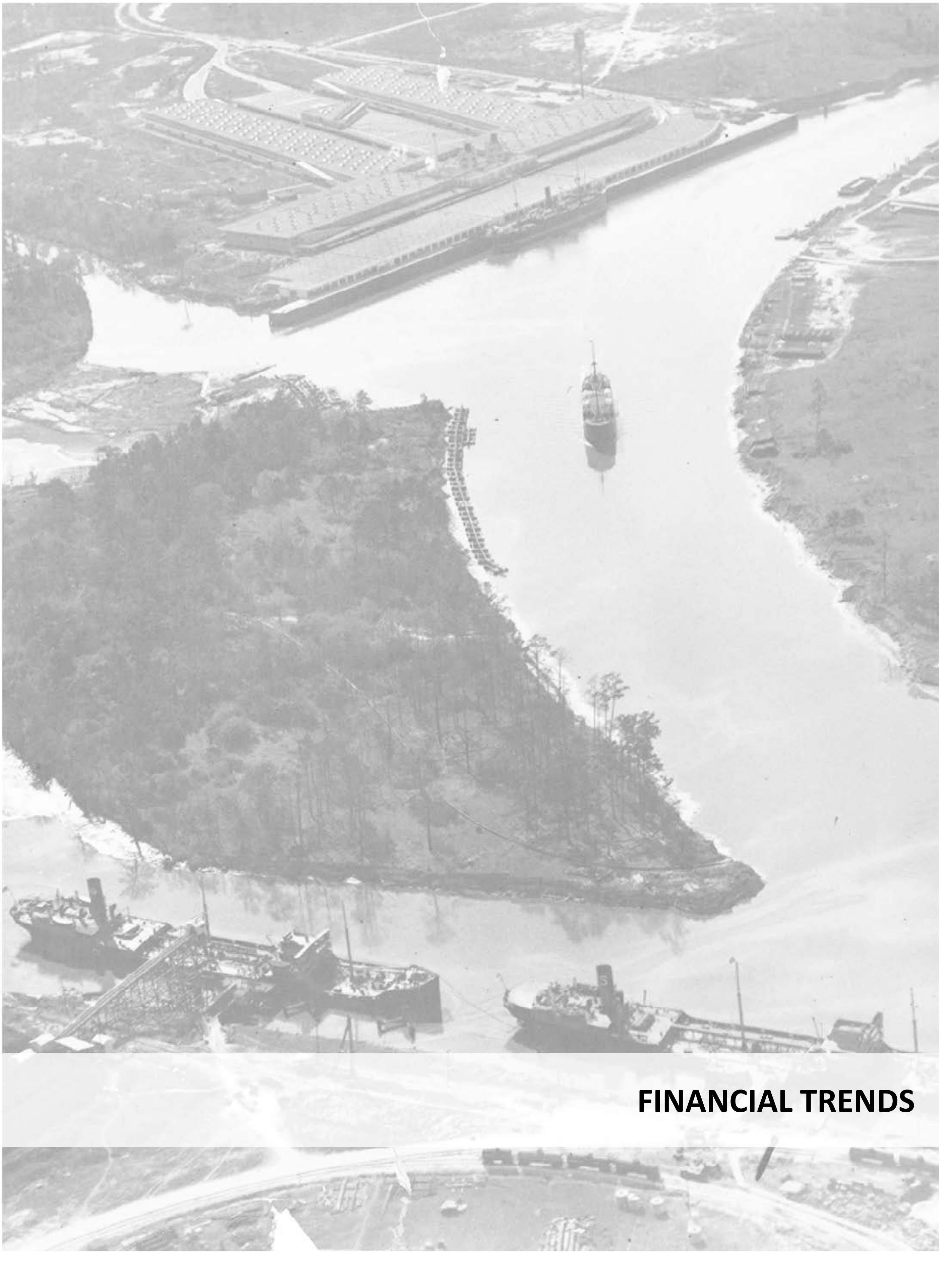
Revenue Capacity
These schedules contain information to help the reader assess the Authority's two most significant revenue sources, operating revenues and property taxes.

Debt Capacity
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



FINANCIAL TRENDS

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Schedule 1

Port of Houston Authority of Harris County, Texas
Net Position by Component
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	$ 749,755	$ 685,717	$ 596,224	$ 574,224	$ 571,828	$ 655,571	$ 646,777	$ 676,785	$ 615,169	$ 476,709
Restricted										
Capital	-	7,195	29,713	60,204	79,270	8,388	3,978	3,846	24,863	23,841
Debt Service	43,290	44,598	44,916	41,455	44,248	39,072	37,310	28,774	27,909	32,465
Other	-	-	2,755	196	4,302	122	200	181	161	225
Unrestricted	338,127	324,466	320,673	263,802	207,113	191,411	214,139	144,407	145,075	217,194
Total Net Position	$ 1,131,172	$ 1,061,976	$ 994,281	$ 939,881	$ 906,761	$ 894,564	$ 902,404	$ 853,993	$ 813,177	$ 750,434

Port of Houston Authority of Harris County, Texas
Changes in Net Position
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues:										
Vessel and cargo services	$ 238,083	200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365	$ 171,373	$ 164,230	$ 143,550	$ 132,283
Rental of equipment and facilities	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473
Grain elevator	1,821	592	683	1,923	911	1,155	787	809	717	590
Bulk materials	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568
Other	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454
Nonoperating revenues:										
Investment (loss) income	4,913	(435)	2,410	3,123	3,573	4,136	7,154	10,019	11,606	7,478
Contribution in aid of construction	-	5,000	-	1,077	-	-	-	-	-	-
Other, net	3,291	683	1,583	2,765	3,836	4,588	982	6,734	1,060	5,718
Nonoperating revenues related to property taxes:										
Property taxes	51,955	52,534	56,429	49,826	53,833	46,911	48,675	35,819	29,454	29,568
Investment income / (loss) on bond proceeds	162	348	302	657	(47)	165	1,113	2,045	2,077	1,432
Total Revenues:	324,218	291,803	286,099	264,293	247,891	226,127	254,909	245,110	211,860	199,564
Operating expenses:										
Maintenance and operations of facilities	123,324	103,353	101,095	97,461	95,918	88,124	98,026	97,978	80,809	74,901
General and administrative	39,152	41,845	43,875	39,894	51,742	57,827	43,443	40,063	29,527	28,656
Depreciation and amortization	57,190	56,057	56,551	55,661	53,731	48,035	44,016	34,161	28,436	25,383
Nonoperating expenses:										
Interest expense on revenue bonds	-	-	-	-	-	-	-	-	176	328
Contributions to state and local agencies	1,464	1,949	882	1,232	1,742	17,468	4,224	29,017	5,457	8,400
Loss on disposal of assets	1,220	91	3,295	-	3,294	-	-	-	-	-
Other, net	-	-	98	-	-	-	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	33,459	33,188	33,803	36,843	34,265	26,072	21,344	10,124	10,775	9,580
Property tax collection expense	1,175	994	1,091	996	1,270	506	1,083	480	67	148
Other, net	408	477	442	525	480	901	423	357	360	369
Total Expenses:	257,392	237,954	241,132	232,612	242,442	238,933	212,559	212,180	155,607	147,765
Income before contributions	66,826	53,849	44,967	31,681	5,449	(12,806)	42,350	32,930	56,253	51,799
Capital contributions from federal agencies	2,370	13,827	9,373	1,439	2,944	3,549	6,061	7,886	6,490	7,736
Contributions from federal agency-FEMA	-	19	60	-	3,804	1,417	-	-	-	-
Total Contributions from federal and state agencies	2,370	13,846	9,433	1,439	6,748	4,966	6,061	7,886	6,490	7,736
Change in net position	69,196	67,695	54,400	33,120	12,197	(7,840)	48,411	40,816	62,743	59,535
Net position, January 1	1,061,976	994,281	939,881	906,761	894,564	902,404	853,993	813,177	750,434	690,899
Net position, December 31	$ 1,131,172	$ 1,061,976	$ 994,281	$ 939,881	$ 906,761	$ 894,564	$ 902,404	$ 853,993	$ 813,177	$ 750,434

REVENUE CAPACITY

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

(amounts in thousands)
(unaudited)

Year Levied	Real Property	Personal Property	Less: Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
2005	$ 225,099,703	$ 37,135,876	$ 58,291,042	$ 203,944,537	$ 0.01474
2006	245,978,734	34,366,780	62,806,433	217,539,081	0.01302
2007	276,832,919	40,024,020	69,264,770	247,592,169	0.01437
2008	303,289,718	41,639,012	76,330,731	268,597,999	0.01773
2009	311,188,647	45,005,241	80,505,070	275,688,818	0.01636
2010	300,557,174	43,837,867	80,137,056	264,257,985	0.02054
2011	306,488,194	43,891,522	82,109,248	268,270,468	0.01856
2012	317,458,948	47,105,465	85,096,445	279,467,968	0.01952
2013	338,787,938	51,399,961	86,415,967	303,771,932	0.01716
2014	375,147,134	54,650,315	92,526,176	337,271,273	0.01531

- Source: Harris County Appraisal District Property Use Recap as of 12/20/14.
- Property in the county is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.
- Note (a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of $160,000.

Schedule 4

Port of Houston Authority of Harris County, Texas
County-Wide Ad Valorem Tax Rates
Last Ten Fiscal Years
Year Levied
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Harris County										
General Fund	$ 0.34547	$ 0.34547	$ 0.33271	$ 0.33444	$ 0.33401	$ 0.33401	$ 0.33815	$ 0.33918	$ 0.34221	$ 0.34728
General Bonds Debt Service	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192	0.03200	0.03465	0.03047
Total Constitutional Funds	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007	0.37118	0.37686	0.37775
County - Wide Road Debt Service	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916	0.02121	0.02553	0.02211
Total - Harris County	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923	0.39239	0.40239	0.39986
Flood Control District										
Maintenance	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754	0.02754	0.02733	0.02733
Debt Service	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332	0.00352	0.00508	0.00589
Total - Flood Control	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106	0.03241	0.03322
Port of Houston Authority										
Debt Service	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437	0.01302	0.01474
Hospital District										
General	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216	0.19216
Total	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.63998	$ 0.63998

- Source: Harris County Appraisal District
- Tax rates are stated per $100 assessed valuation

Port of Houston Authority of Harris County, Texas
Direct and Overlapping Debt and Property Tax Rates

December 31, 2014
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County-Wide Taxing Jurisdiction										
Harris County	$ 0.4173	$ 0.4146	$ 0.4002	$ 0.3912	$ 0.3881	$ 0.3922	$ 0.3892	$ 0.3924	$ 0.4024	$ 0.3999
Harris County Flood Control District	0.0274	0.0283	0.0281	0.0281	0.0292	0.0292	0.0309	0.0324	0.0332	0.0332
Port of Houston Authority	0.0153	0.0172	0.0195	0.0186	0.0205	0.0164	0.0177	0.0130	0.0130	0.0167
Harris County Hospital District	0.1700	0.1700	0.1822	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902
Total County-wide	$ 0.6300	$ 0.6301	$ 0.6300	$ 0.6301	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6408	$ 0.6400
Cities										
Baytown	$ 0.8220	$ 0.8220	$ 0.8220	$ 0.8220	$ 0.7870	$ 0.7870	$ 0.7370	$ 0.7370	$ 0.7370	$ 0.7370
Bellaire	0.3936	0.3999	0.3999	0.3999	0.3999	0.3759	0.4400	0.4400	0.4700	0.4800
Deer Park	0.7200	0.7200	0.7200	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200
Houston	0.6311	0.6388	0.6388	0.6388	0.6388	0.6388	0.6450	0.6450	0.6500	0.6550
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5970	0.5970	0.5970	0.6100	0.6160	0.6300	0.6088	0.6088	0.6275	0.6400
Missouri City	0.5650	0.5738	0.5448	0.5284	0.5284	0.5284	0.4993	0.4945	0.4980	0.5017
Pasadena	0.5769	0.5916	0.5916	0.5916	0.5916	0.5620	0.5670	0.5670	0.5670	0.5670
Pearland	0.7121	0.7051	0.7051	0.6851	0.6651	0.6526	0.6526	0.6527	0.6744	0.6950
Seabrook	0.6400	0.6512	0.6652	0.6500	0.6268	0.5884	0.6203	0.6210	0.6307	0.6196
South Houston	0.6445	0.6699	0.7083	0.6876	0.6732	0.6732	0.6770	0.6588	0.6863	0.7000
Webster	0.2487	0.2696	0.2853	0.2853	0.2575	0.2325	0.2489	0.2575	0.2575	0.2680
West University Place	0.3618	0.3740	0.3741	0.3741	0.3741	0.3588	0.3660	0.4020	0.4300	0.4467
School Districts	1.1967-1.6700	1.1867-1.6700	1.1567-1.5700	.0972-1.5400	.0922-1.5400	.1101-1.5266	.1144-1.6450	.1167-1.8150	.1207-2.000	.1145-2.000

- Source: Harris County Appraisal District jurisdiction information as of 02/24/15; includes all tax bonds.

Port of Houston Authority of Harris County, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts in thousands)
(unaudited)

Tax Payers	2014 Taxable Valuations (a)	2014 Rank	Percentage of Total 2014 Taxable Valuation (b)	2005 Taxable Valuations (a)	2005 Rank	Percentage of Total 2005 Taxable Valuation (c)
ExxonMobilCorp	$ 3,190,218	1	0.95 %	$ 3,157,665	1	1.55 %
CenterPoint Energy Inc	2,780,025	2	0.82	2,604,445	2	1.28
Shell Oil Co	2,502,412	3	0.74	1,945,346	3	0.95
Lyondell Chemical Co	2,127,570	4	0.63	1,292,657	4	0.63
Chevron Chemical Co	2,004,198	5	0.59	935,750	8	0.46
BP America Production Co	965,729	6	0.29	-		-
Crescent Real Estate	917,216	7	0.27	966,916	7	0.47
Walmart	875,506	8	0.26	-		-
Hewlett Packard	855,261	9	0.25	592,359	10	0.29
NOV Wilson LP	829,255	10	0.25	-		-
United Airlines	652,102	11	0.19	-		-
Busycon	536,990	12	0.16	-		-
Palmetto Transoceanic LLC	534,722	13	0.16	-		-
Southwestern Bell Telephone	517,939	14	0.15	1,058,278	5	0.52
1000 Louisiana LP	504,064	15	0.15	-		-
Texas Tower LTD	499,469	16	0.15	-		-
Valero Energy	493,872	17	0.15	-		-
Rohm & Hass Co	481,876	18	0.14	499,167	11	0.25
HG Galleria I II III LP	475,503	19	0.14	-		-
Four Oaks Place Operating LP	464,134	20	0.14	-		-
Equistar Chemicals LP	-		-	1,055,374	6	0.52
Hines Interests LTD Partnership	-		-	854,380	9	0.42
Anheuser Busch Inc	-		-	473,966	12	0.23
Trizechahn	-		-	415,503	13	0.20
Calpine	-		-	405,130	14	0.20
Oxy Vinyls LP	-		-	399,223	15	0.20
Total	$ 22,208,061		6.58 %	$ 16,656,159		8.17 %

- Source: Harris County Appraisal District
- Note (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.
- Note (b) Based on the County's total taxable value as of December 19, 2014
- Note (c) Based on the County's total taxable value as of January 1, 2005

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2005 Through 2014
(in thousands)
(unaudited)

Fiscal Year	Taxes Levied for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections After One Year (a)	Total Collections After One Year (a)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	$ 29,689	$ 26,805	90.29 %	$ 2,217	$ 29,022	97.75 %
2006	28,671	26,131	91.14 %	1,961	28,092	97.98 %
2007	35,566	32,795	92.21 %	2,109	34,904	98.14 %
2008	48,288	43,622	90.34 %	3,926	47,548	98.47 %
2009	45,086	41,875	92.88 %	2,180	44,055	97.71 %
2010	54,364	50,650	93.17 %	2,669	53,319	98.08 %
2011	49,814	47,012	94.38 %	1,911	48,923	98.21 %
2012	54,624	51,755	94.75 %	1,917	53,672	98.26 %
2013	52,289	49,790	95.22 %	1,736	51,526	98.54 %
2014	51,860	49,400	95.26 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2015
- Updates are made to prior years.
- N/A - Not Available
- Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.

Port of Houston Authority of Harris County, Texas
Operating Revenues by Type
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues: (a) (b)										
Vessel and cargo services	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365	$ 171,373	$ 164,230	$ 143,550	$ 132,283
Rental of equipment and facilities	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872	18,103	17,473
Grain elevator	1,821	592	683	1,923	911	1,155	787	809	717	590
Bulk materials	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568
Other	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679	2,072	2,454
Total Operating Revenue	$ 263,897	$ 233,673	$ 225,375	$ 206,845	$ 186,696	$ 170,327	$ 196,985	$ 190,493	$ 167,663	$ 155,368
Revenue Tonnage (short tons) (c)										
General Cargo	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,657	19,942
Bulk	10,766	11,090	9,781	10,162	10,508	9,184	10,371	10,123	9,696	8,623
Total Revenue Tonnage	37,620	35,825	35,059	33,549	31,317	28,865	35,242	33,225	33,353	28,565

- Source: The Authority
- Note (a) General cargo tonnage and bulk tonnage generate operating revenues from vessel and cargo services, grain elevator and bulk material.
- Note (b) Revenues are defined by tariffs based upon terminal and type of services. Some units of measure used (depending on type of service) are units, weight, number of days and gallons.
- Note (c) Short ton equals 2,000 pounds

Schedule 9

Port of Houston Authority of Harris County, Texas
Revenue Tonnage
Last Ten Fiscal Years
(in short tons)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Cargo										
Barbours Cut										
All other	7,689,686	7,010,712	6,177,766	5,605,703	5,709,735	5,571,883	7,592,527	10,044,562	9,550,199	8,897,900
Lease	3,410,214	3,548,416	3,939,218	3,887,146	3,888,444	3,848,608	4,224,952	3,959,332	5,676,018	5,369,441
	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179	9,420,491	11,817,479	14,003,894	15,226,217	14,267,341
Bayport Container Terminal	6,977,231	7,264,595	7,354,870	7,365,318	6,567,986	5,802,758	4,198,520	1,522,186	-	-
Turning Basin										
Autos import	128,564	143,132	175,553	124,351	109,713	73,325	115,660	113,567	95,719	121,370
Autos export	11,430	17,905	23,655	26,972	25,844	23,641	32,211	21,585	18,216	24,654
Steel imports	5,397,341	3,613,445	4,247,410	3,193,843	2,005,659	2,195,728	4,961,811	3,631,363	4,206,717	2,008,066
All other	607,127	519,978	723,762	1,177,341	778,667	622,113	1,559,870	1,571,635	1,610,654	1,524,844
	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883	2,914,807	6,669,552	5,338,150	5,931,306	3,678,934
Jacintoport	1,411,724	1,579,197	1,428,240	1,285,363	1,235,498	1,072,605	1,220,081	1,509,501	1,312,717	1,285,578
Care Terminal	747,372	649,545	598,914	350,422	188,279	249,001	421,064	438,722	522,501	427,792
Woodhouse	473,389	388,133	608,369	370,436	299,098	221,798	544,590	289,586	638,609	204,494
Galveston	-	-	-	-	-	-	-	-	25,131	77,677
	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923	19,681,460	24,871,286	23,102,039	23,656,481	19,941,816
Bulk										
Barbours Cut	-	-	-	-	3,136	2,426	4,409	-	-	3,438
Jacintoport	-	-	1,780	553	1,653	10,803	-	626	-	4,529
Care Terminal	82,016	253,942	408,225	359,286	446,801	192,753	756,891	610,965	399,887	388,737
Woodhouse	31,549	14,290	7,547	35,089	31,857	30,468	6,031	45,780	11,003	36,447
Sims Bayou	675,175	700,350	770,395	763,723	783,041	648,650	571,557	860,009	1,108,220	1,292,821
S.J.B. Liquid Facility	493,582	541,227	585,263	474,880	551,405	492,921	428,698	404,359	410,613	364,969
Turning Basin	1,982,330	2,164,880	2,022,492	1,948,735	1,978,411	1,732,249	1,985,245	1,505,652	1,608,685	1,640,084
	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304	3,110,270	3,752,831	3,427,391	3,538,408	3,731,025
Bulk Materials Terminal	5,190,900	5,151,720	4,691,785	4,209,509	4,669,560	4,513,258	4,520,962	4,949,954	4,551,697	3,561,052
Grain Elevator #2	2,310,757	2,263,983	1,294,120	2,370,689	2,042,395	1,560,258	2,096,735	1,746,128	1,606,343	1,330,575
	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259	9,183,786	10,370,528	10,123,473	9,696,448	8,622,652
Grand Total	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182	28,865,246	35,241,814	33,225,512	33,352,929	28,564,468

- Source: The Authority
- Based on information as received from third parties and estimates.
- Revenue tonnage is tonnage from which Authority revenues are derived; does not include non-Authority tonnage figures.

Port of Houston Authority of Harris County, Texas
Top Ten Vessel and Cargo Customers
Current Year and Ten Years Ago

(amounts in thousands)
(unaudited)

	2014			2005		
Customer	2014 Revenue	Rank	% V&C Revenue	2005 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Inc. SA	$ 32,337	1	16.16 %	$ 13,448	2	11.54 %
Hapag-Lloyd AG	26,147	2	13.07	6,764	3	5.81
CMA-CGM (America), Inc	17,198	3	8.59	5,335	4	4.58
Cosco North America, Inc.	14,892	4	7.44	-		-
Hamburg Sud North America	11,999	5	6.00	3,074	10	2.64
Seaboard Marine, Ltd.	5,698	6	2.85	-		-
Hanjin Shipping Company	5,321	7	2.66	-		-
Zim Integrated Shipping	4,870	8	2.43	-		-
Biehl & Company - Vessel	4,866	9	2.43	4,593	6	3.94
Star Shipping	4,852	10	2.42	-		-
CP Ships US Agency, LLC	-		-	17,934	1	15.39
P & O Ned Lloyd Limited	-		-	4,836	5	4.15
Montemar Maritima S.A.	-		-	4,366	7	3.75
APL Limited	-		-	4,256	8	3.65
NYK Line (North America)	-		-	3,263	9	2.80
Total	$ 128,180		48.57 %	$ 67,869		43.68 %

- Source: The Authority

DEBT CAPACITY

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Ratios of Net General Bonded Debt by Type
Last Ten Fiscal Years
(in thousands, except per capita)
(unaudited)

Fiscal Year	General Obligation Bonds: Unlimited Tax Refunding Bonds	General Obligation Bonds: Unlimited Tax Port Improvement Bonds	General Obligation Bonds: Unlimited Tax Commercial Paper	Premiums (Discounts)	General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	Revenue Bonds	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
2005	$ 130,620	$ 184,085	$ 21,034	$ 8,229	$ 343,968	$ 6,897	$ 337,071	0.17 %	$ 91	$ 4,363	$ 341,434	0.22 %	$ 92
2006	211,100	146,005	21,744	9,848	388,697	7,000	381,697	0.18 %	98	-	381,697	0.21 %	98
2007	204,935	139,030	113,478	6,345	463,788	5,000	458,788	0.19 %	117	-	458,788	0.24 %	117
2008	431,065	131,950	-	8,340	571,355	7,000	564,355	0.21 %	142	-	564,355	0.30 %	142
2009	422,665	124,750	70,245	7,769	625,429	6,000	619,429	0.22 %	154	-	619,429	0.35 %	154
2010	616,814	146,805	-	28,629	792,248	10,900	781,348	0.30 %	190	-	781,348	0.41 %	190
2011	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29 %	186	-	777,557	0.38 %	186
2012	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27 %	176	-	762,345	0.24 %	176
2013	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25 %	120	-	744,626	0.23 %	120
2014	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21 %	114	-	722,891	N/A	114

- Additional information on the Authority's debt can be found in Note 6 in the accompanying notes to the financial statements.
- See Schedule 3 for property value data.
- Population data can be found in Schedule 15.
- N/A - Not Available

Port of Houston Authority of Harris County, Texas
Net Revenues Available for Debt Service on First - Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2014
(in thousands)
(unaudited)

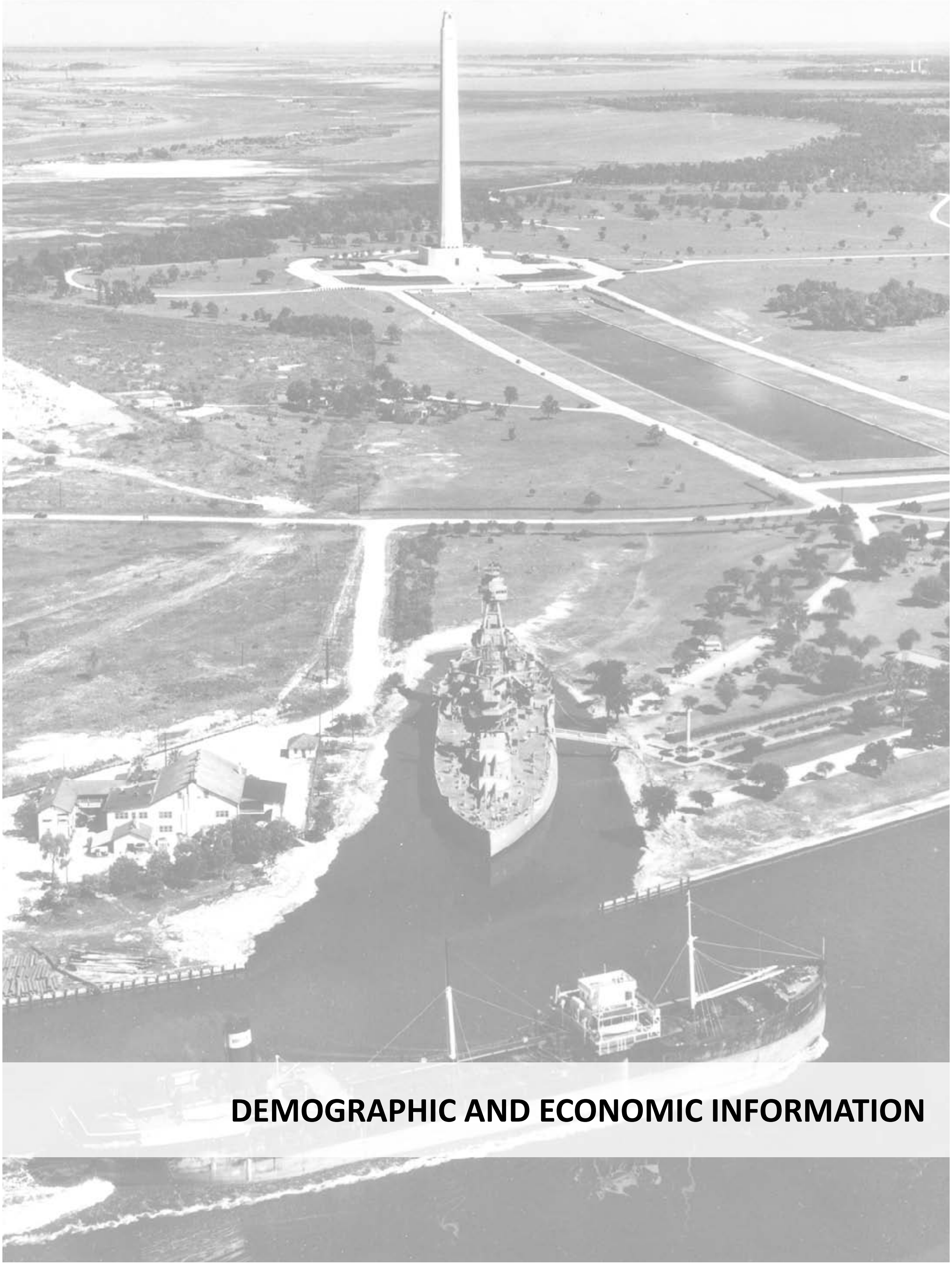
	2014	2013	2012	2011	2010	2009	2008	2007	2006*	2005
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	$ 235,929	$ 197,974	$ 188,457	$ 175,297	$ 157,633	$ 142,310	$ 169,584	$ 162,636	$ 141,697	$ 131,007
Rental of equipment and facilities	17,763	25,114	23,077	22,030	20,325	20,451	19,910	18,800	18,033	17,412
Grain Elevator	1,821	592	683	1,923	911	1,155	787	809	717	589
Bulk materials	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568
Other	1,960	5,201	8,512	3,356	3,272	2,040	2,435	3,630	1,915	2,361
Total	261,743	231,546	223,214	204,737	184,509	168,199	195,035	188,778	165,583	153,937
NonOperating Revenues										
Investment (loss) income	4,881	(452)	2,406	3,126	3,572	4,552	6,736	9,992	11,292	7,427
Other, net	5,661	19,529	11,014	5,358	11,319	9,798	7,198	14,699	8,255	13,660
Total	10,542	19,077	13,420	8,484	14,891	14,350	13,934	24,691	19,547	21,087
Total Gross Revenues	272,285	250,623	236,634	213,221	199,400	182,549	208,969	213,469	185,130	175,024
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	115,341	93,483	91,534	89,547	90,861	77,591	94,473	85,178	73,236	66,918
Rental of port facilities	1,164	1,387	1,174	6,893	3,945	3,774	3,311	4,185	3,560	6,151
Grain Elevator	260	288	219	322	263	221	163	404	557	477
Bulk Materials Handling Plant	9	9	22	46	34	88	94	307	723	435
Other	8,223	9,919	9,958	2,415	2,385	1,796	1,797	1,916	358	919
Total	124,997	105,086	102,907	99,223	97,488	83,470	99,838	91,990	78,434	74,900
General and Administrative	39,152	41,845	43,875	39,894	51,487	63,411	41,930	46,029	28,846	28,380
Total Operating Expenses	164,149	146,931	146,782	139,117	148,975	146,881	141,768	138,019	107,280	103,280
Nonoperating Expenses	2,694	2,998	3,906	3,350	5,872	18,473	4,461	29,151	5,869	8,550
Total Expenses	166,843	149,929	150,688	142,467	154,847	165,354	146,229	167,170	113,149	111,830
Net Revenues Available For Debt Service on First Lien Revenue Bonds	$ 105,442	$ 100,694	$ 85,946	$ 70,754	$ 44,553	$ 17,195	$ 62,740	$ 46,299	$ 71,981	$ 63,194
Average Annual Debt Service on First Lien Revenue Bonds	-	-	-	-	-	-	-	$ -	$ 4,456	$ 4,514
Coverage by Net Revenues	-	-	-	-	-	-	-	-	1,615 %	1,400 %

- * Revenue Bonds were retired during 2006.
- Note (a) The Bayport user fees described in Note 7 were excluded from this calculation as per the bond documents.

Port of Houston Authority of Harris County, Texas
Table of Bonded Debt Service Requirements
(unaudited)

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
2015	$ 52,144,219
2016	52,149,969
2017	54,337,144
2018	54,415,094
2019	55,129,169
2020	55,492,394
2021	55,470,806
2022	54,715,731
2023	49,267,056
2024	49,263,444
2025	49,256,606
2026	49,249,556
2027	49,910,044
2028	49,910,794
2029	49,912,581
2030	49,911,631
2031	49,910,188
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	34,608,000
Total	**$ 1,264,417,989**

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2014, excluding bonds that have been refunded and defeased.



DEMOGRAPHIC AND ECONOMIC INFORMATION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Miscellaneous Statistical Data
December 31, 2014
(unaudited)

Port of Houston Authority Facts:

Date of Incorporation: 1911

Form of Government: A political subdivision of the State of Texas

Area: 1,778 Square Miles

Altitude: Harris County (generally coterminous with Port of Houston Authority) - Sea level to 310 feet
City of Houston - Center of downtown area - 41 feet

Selected Economic Statistics

Year	GDP (a)	National Unemployment (b)	Total U.S. Exports (c)	Total U.S. Imports (c)	U.S. Rig Count (d)	Oil Price $/Bbl (e)	PMI (f)
2014	2.6%	5.6%	$ 2,345.4	$ 2,850.5	2,003	$ 59.29	53.5
2013	3.2%	7.4%	2,272.3	2,743.9	1,862	97.63	57.0
2012	1.7%	7.6%	1,564.1	2,299.4	1,734	94.05	50.2
2011	5.5%	8.9%	1,497.4	2,235.7	2,003	94.88	52.9
2010	2.8%	9.6%	1,288.7	1,934.6	1,546	79.48	57.3
2009	-2.6%	9.3%	1,056.0	1,559.6	1,089	61.95	46.2
2008	-%	5.8%	1,287.4	2,103.6	1,879	99.67	45.5
2007	1.9%	4.6%	1,148.2	1,957.0	1,768	72.34	51.1
2006	2.7%	4.6%	1,026.0	1,853.9	1,649	66.05	53.1
2005	3.1%	5.1%	901.1	1,673.5	1,383	56.64	54.4

- Note (a) Gross Domestic Product percent change based on 2009 dollars; Source: Bureau of Economic Analysis
- Note (b) Average monthly unemployment rate per year; Source: Bureau of Labor Statistics
- Note (c) Billions of dollars; Source: Customs data from Department of Commerce, U.S. Census Bureau
- Note (d) Annual average total U.S. rig count; Source: Baker Hughes rig count data (RIGDATA)
- Note (e) Cushing, OK WTI spot price; Source: Energy Information Administration (EIA)
- Note (f) Purchasing Managers Index value above 50 means growth; Source: Institute for Supply Management

Port of Houston Authority of Harris County, Texas
Demographic and Economic Statistics
Last Ten Calendar Years
(unaudited)

Calendar Year Ending December 31	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capital Personal Income
2005	3,693,050	5.4%	$ 156,920,733	$ 42,491
2006	3,886,207	4.0%	178,160,838	45,844
2007	3,935,855	4.2%	194,177,877	49,336
2008	3,984,349	5.5%	190,226,395	47,743
2009	4,070,989	8.1%	196,779,227	48,337
2010	4,092,459	8.3%	183,899,347	44,936
2011	4,178,574	7.2%	204,593,455	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	N/A	N/A
2014	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report
- N/A - Not Available

Port of Houston Authority of Harris County, Texas
Principal Corporate Employers
Current Year and Nine Years Ago*

(amount in thousands)
(unaudited)

Employer	2014 Employees	2014 Rank	2014 Percentage of Area Employment	2005 Employees	2005 Rank	2005 Percentage of Area Employment
Memorial Hermann Healthcare Systems	19,500	1	0.66%	11,209	4	0.47%
MD Anderson Cancer Center	19,290	2	0.65%	-		-
United Airlines (formerly Continental)	17,000	3	0.57%	-		-%
ExxonMobil Chemical Company	13,191	4	0.45%	-		-
The Methodist Hospital System	13,000	5	0.44%	7,492	6	0.31%
Shell Oil Company	13,000	6	0.44%	12,200	2	0.51%
National Oilwell Varco	10,000	7	0.34%	-		-
Schlumberger Limited	10,000	8	0.34%	-		-
BP America	9,537	9	0.32%	-		-
Baylor College of Medicine	9,232	10	0.31%	6,082	9	0.25%
Halliburton (KBR spun off)	-		-	12,168	3	0.51%
Administaff Inc.	-		-	16,668	1	0.70%
JP Morgan Chase	-		-	6,835	7	0.28%
St. Luke's Episcopal Health System	-		-	5,833	10	0.24%
Hewlett Packard	-		-	8,000	5	0.33%
SBC Communications	-		-	6,343	8	0.26%
	133,750			92,830		

- Source: Greater Houston Partnership / Houston Business Journal and U.S. Department of Labor-Bureau of Labor Statistics.
- * Based on calendar year.
- Note: Combined Houston-Sugar Land-Baytown, TX area employment for 2014 was approximately 2,960,700 and for 2005 was 2,394,000.

Port of Houston Authority of Harris County, Texas
Harris County Population Statistical Data
(unaudited)

Regional Population (a)

Year	City of Houston	Harris County	Year	City of Houston	Harris County
1880	16,513	27,985	**1950**	596,163	806,701
1890	27,557	37,249	**1960**	938,219	1,243,158
1900	44,633	63,786	**1970**	1,232,802	1,741,912
1910	78,800	115,693	**1980**	1,594,086	2,409,544
1920	138,276	186,667	**1990**	1,632,833	2,818,199
1930	292,352	359,328	**2000**	1,953,631	3,400,578
1940	384,514	528,961	**2010**	2,099,451	4,092,459

Harris County Voters in Presidential Elections (b)

	2012	2008	2004	2000	1996
Registered Voters	1,942,566	1,974,177	1,876,296	1,886,661	1,597,211
Votes Cast	1,204,167	1,188,731	1,088,793	995,631	871,656
Percentage of Registered Voters Voting	61.99 %	60.21 %	58.03 %	52.77 %	54.57 %

Motor Vehicle Registration (c)

	2014	2013	2012	2011	2010
Passenger Cars, Small Trucks and Misc.	3,778,534	3,486,077	3,480,675	3,409,411	3,289,327
Large Trucks	32,603	30,307	38,523	36,839	33,136
Total	3,811,137	3,516,384	3,519,198	3,446,250	3,322,463

- Note (a) Source: Department of Commerce, U.S. Census Bureau
- Note (b) Source: Harris County Tax Assessor - Collector and Voter Registrar
- Note (c) Source: Harris County Tax Assessor - Collector and Voter Registrar

Port of Houston Authority of Harris County, Texas
Harris County Miscellaneous Statistical Data
(unaudited)

Students enrolled in colleges and universities located within Harris County (d)

	2014	2013	2012	2011	2010
Baylor College of Medicine	1,582	1,549	1,525	1,483	1,489
Houston Baptist University	3,128	2,910	2,589	2,432	2,597
Houston Community College	47,415	47,699	47,784	51,384	49,717
Lone Star College System	82,818	77,827	70,833	75,680	63,826
Rice University	6,498	6,490	6,402	6,101	5,879
San Jacinto College:					
Central, South, North	27,911	32,627	33,106	32,730	32,105
South Texas College of Law	1,116	1,185	1,230	1,271	1,295
Texas Southern University	9,233	8,619	9,967	10,026	9,557
Texas Woman's University: Houston	1,347	1,262	1,270	1,307	1,308
University of Houston:					
University Park	40,803	39,498	38,758	39,824	38,752
Downtown	14,439	13,353	13,568	12,918	12,900
Clear Lake	8,668	8,260	8,301	8,188	8,099
University of St. Thomas	3,192	3,525	3,626	3,673	3,520
University of Texas: (e)					
Dental Branch	536	522	503	483	473
Graduate School of Biomedical Sciences	472	514	555	575	586
Medical School	1,045	1,062	1,037	1,017	1,025
School of Biomedical Informatics	171	127	140	136	120
School of Nursing	1,072	1,116	956	963	886
School of Public Health	1,260	1,274	1,298	1,425	1,395
Total	252,706	249,419	243,448	251,616	235,529

Number of Employees

	2014	2013	2012	2011	2010
Harris County (f)	15,244	14,557	14,275	14,923	17,270
Flood Control District (f)	300	290	308	335	421
Port of Houston Authority	542	528	542	578	592

- Note (d) Source: Fall 2014 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2015)
- Note (f) Source: Harris County Auditor's Office

OPERATING INFORMATION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Table of Physical Characteristics of the Port Facilities of the Authority
(unaudited)

	Berth Lengths (Feet)	Water Depth Below Mean Low Tide (Feet)	Paved Marshalling Area (Acres)	Covered Storage (Sq. Feet)
Turning Basin				
36 general Cargo Wharves	376-600	27-36*	36	1,150,000
5 Liquid Bulk Wharves	226 - 570	33 - 36	-	-
Wharf - 32 Project Cargo	800	37*	20	-
Woodhouse Terminal**				
Wharf 1	660	39	2	-
Wharf 2 and 3	1250	35	-	231,750
Grain Dock**	600	42	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
Jacintoport				
Wharves 1 - 3	1830	40	8	82,500
Care Terminal				
Wharf 1	500	36	10	45,000
Wharf 2	618	38	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	40	-	-
San Jacinto Barge Terminal				
Berth	200 - 700	16	-	-
Barbours Cut Terminal				
LASH Berth	810	40	-	-
Container Berths 1 - 6	6000	40	230	2,555,000
Passenger Berth	900	36	30	-
Bayport		33	60	-
Container Berths 3 - 5	3300	40	167	-
Cruise Terminal	1000	32	-	-

- * The maximum depth allowable due to federally authorized channel project depths
- **Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2.

EQUIPMENT:

<u>Turning Basin</u>

- Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

<u>Barbours Cut Terminal</u>

- Container Cranes: five 40 long ton, four 50 long ton
- Yard Cranes: thirty-two 40 long ton
- Other Cranes: four 20,000-pound lifters for handling empty containers and two 80,000-pound container-handling machines
- Other Equipment: 38 heavy-duty yard tractors and 77 heavy-duty yard chassis are available for rent from the Authority. Private firms also provide this equipment as well as heavy lift equipment.

<u>Bayport</u>

- Container Cranes: nine 65-long ton
- Yard Cranes: thirty 40-long ton
- Other Equipment: 8 heavy-duty terminal tractors and 61 yard chassis; one 80,000-pound container-handling machine; Cruise Terminal passenger gangway

Schedule 19

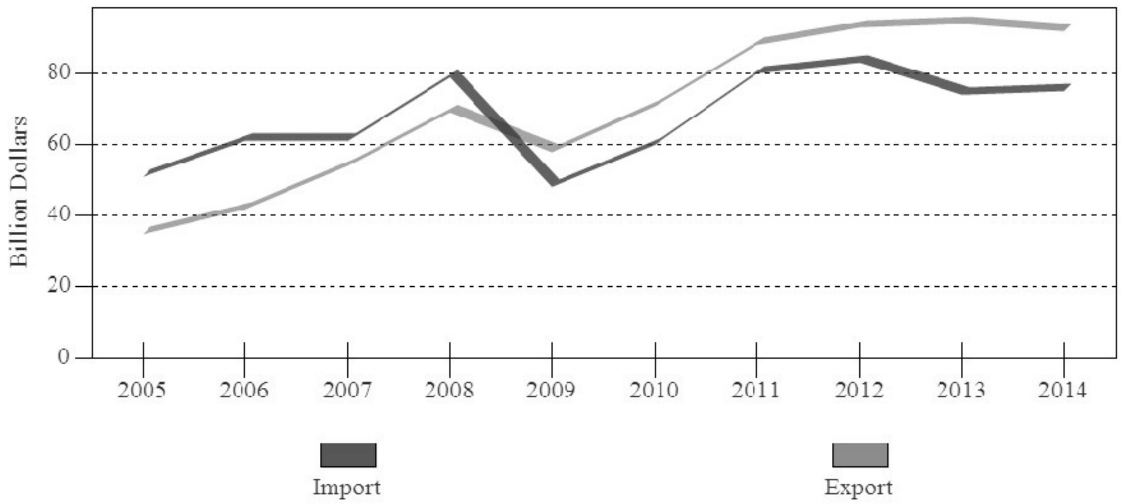
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	7,454	5,623	6,688	5,652	3,771	3,768	8,006	6,678	7,546	4,679
Container cargo	19,400	19,112	18,590	17,735	17,038	15,914	16,866	16,425	16,111	15,156
Bulk grain	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331
Bulk plant	5,191	5,152	4,692	4,209	4,670	4,513	4,521	4,950	4,552	3,561
Other bulk	12,281	12,518	12,771	12,474	12,725	11,032	11,248	10,621	10,622	10,064
Total	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437	34,791
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d)										
Foreign										
Imports	(e)	76,449	83,816	88,889	88,508	84,629	92,019	94,692	106,905	103,190
Exports	(e)	83,102	78,627	78,188	71,053	63,340	54,380	50,650	45,972	41,860
Total Foreign (e)	-	159,551	162,443	167,077	159,561	147,969	146,399	145,342	152,877	145,050
Domestic										
Receipts	(e)	32,442	35,349	32,429	31,091	28,460	28,322	33,409	32,660	28,559
Shipments	(e)	22,116	23,338	22,937	21,389	20,397	22,739	22,665	23,153	23,903
Total Internal (e)	-	54,558	58,687	55,366	52,480	48,857	51,061	56,074	55,813	52,462
Local	(e)	15,137	17,055	15,355	15,092	14,515	14,747	14,648	13,457	14,153
Total	-	229,246	238,185	237,798	227,133	211,341	212,207	216,064	222,147	211,665
Value of foreign trade handled by entire Port of Houston (c)										
Imports	$ 75,023,441	$ 74,287,778	$ 83,252,965	$ 80,221,005	$ 60,110,140	$ 48,427,840	$ 78,873,301	$ 61,004,983	$ 61,032,718	$ 51,192,326
Exports	92,016,308	94,050,299	93,407,834	88,078,301	70,726,052	57,834,409	68,783,597	53,776,671	41,957,426	34,808,970
Total	$ 167,039,749	$ 168,338,077	$ 176,660,799	$ 168,299,306	$ 130,836,192	$ 106,262,249	$ 147,656,898	$ 114,781,654	$ 102,990,144	$ 86,001,296

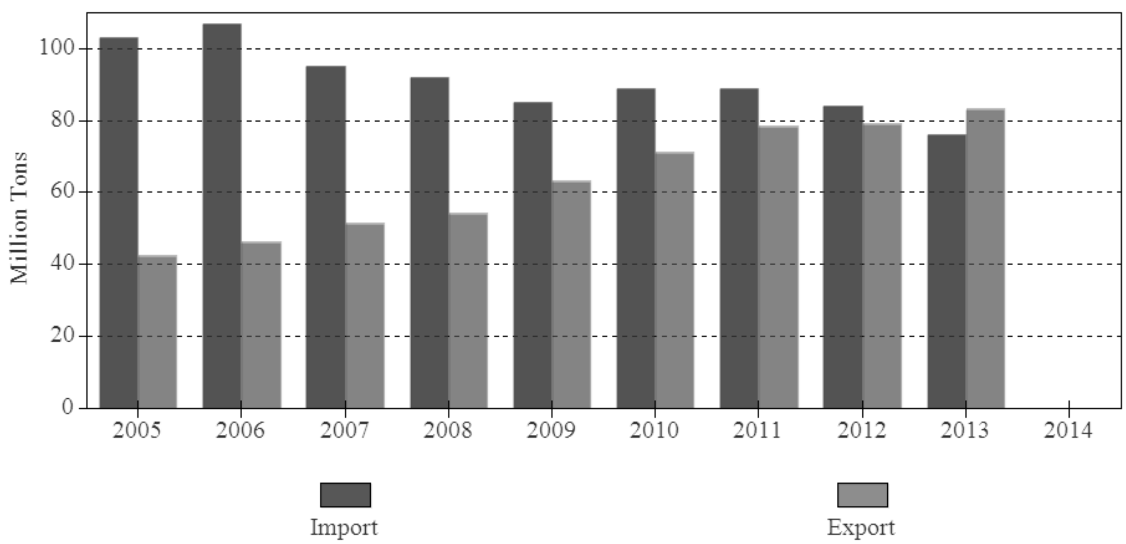
- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) The amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2014

Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics Graph
Last Ten Years

Value of foreign freight handled by Port of Houston



Tons of foreign freight handled by Port of Houston



- Note: Foreign tonnage is not available for 2014.

Port of Houston Authority of Harris County, Texas
Cargo Statistics
Last Ten Fiscal Years
(in thousands of short tons)
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Revenue Tonnage										
Including Bayport companies	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420	40,437	37,898
Excluding Bayport companies	37,620	35,825	35,059	33,549	31,317	28,865	35,242	33,225	33,353	28,564
General Cargo (a)	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102	23,656	19,942
Bulk Materials Handling Plant	5,191	5,152	4,692	4,210	4,670	4,513	4,521	4,950	4,552	3,561
Grain Elevator #2	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746	1,606	1,331
Other Bulk Movements										
Excluding Bayport companies (b)	3,265	3,675	3,796	3,582	3,796	3,110	3,753	3,427	3,538	3,731
Including Bayport companies	9,016	8,843	8,975	8,892	8,929	7,922	7,496	7,194	7,084	6,333
Barbours Cut Terminal										
Bulk (b)	-	-	-	-	3	2	4	-	-	3
General cargo (a)	11,100	10,559	10,117	9,493	9,598	9,420	11,817	14,004	15,226	14,267
Bayport Container Terminal										
General cargo (a)	6,977	7,265	7,355	7,365	6,568	5,803	4,199	1,522	-	-
Steel (a)										
Import	6,343	4,350	5,093	3,674	2,296	2,405	5,976	4,406	5,385	2,559
Export	236	303	391	626	425	251	310	336	243	243
Autos - Turning Basin										
Tons - import (a)	129	143	176	124	110	73	116	114	96	121
Tons - export (a)	13	21	28	27	26	24	32	22	18	25
Units - import	63	71	94	65	59	41	64	61	51	65
Units - export	5	8	11	13	12	12	12	8	7	11
Bagged Goods (a)										
Import	65	53	137	309	50	1	16	44	58	39
Export	57	191	88	198	206	352	346	562	620	526
Container TEU	1,951	1,950	1,935	1,866	1,817	1,799	1,795	1,771	1,608	1,594

- Source: The Authority
- Note (a) Tonnage included in General Cargo above
- Note (b) Tonnage included in Bulk Cargo above

Schedule 21

Port of Houston Authority of Harris County, Texas
Vessel Arrivals
(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Houston Ship Channel										
Break bulk	987	1,019	998	914	840	801	891	883	826	772
Bulk carrier	1,003	809	729	702	626	653	920	878	994	858
Containers	1,012	966	1,013	1,037	1,028	953	966	938	998	1,014
Cruise	38	9	-	-	-	-	17	-	-	-
Roll-on/roll-off	9	29	49	49	69	105	130	132	167	164
Tankers	4,746	4,955	4,983	4,885	4,816	4,335	4,595	4,261	4,023	3,923
Tug Tow	386	369	454	355	297	280	411	470	402	164
Vehicle carrier	112	119	138	104	103	75	43	61	50	78
Other	46	16	31	27	70	75	77	80	88	84
Total Vessel Arrivals	8,339	8,291	8,395	8,073	7,849	7,277	8,050	7,703	7,548	7,057
PHA Public Wharves										
Turning Basin										
Ships	1,258	1,121	1,130	1,046	999	962	1,255	1,196	1,177	1,021
Barges	1,016	1,789	1,585	1,528	1,416	1,186	1,546	1,492	1,596	1,556
Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2										
Ships	597	596	581	613	595	541	669	705	684	710
Barges	611	492	632	586	545	525	485	496	805	635
Barbours Cut and Galveston										
Ships	664	822	771	688	695	704	809	969	1,067	1,122
Barges	113	23	88	51	32	43	46	58	280	517
Bayport Container Terminal										
Ships	356	349	355	374	330	314	225	97	-	-
Barges	107	68	63	59	2	1	1	4	-	-
Bayport Cruise Terminal										
Cruise	38	9	-	-	-	-	17	-	-	-
Layberth	39	42	48	56	49	21	-	-	-	-
Bayport Companies										
Ships	672	732	713	643	704	652	611	632	583	518
Barges	2,145	2,148	2,160	2,206	2,115	1,754	1,657	1,620	1,597	1,597
Total PHA Arrivals										
Ships (a)	3,654	3,661	3,593	3,409	3,372	3,194	3,569	3,599	3,511	3,371
Barges	4,611	4,521	4,533	4,441	4,110	3,509	3,735	3,670	4,278	4,305

- Source: Piers Global Intelligence Solutions
- Note (a) Included in Total Vessel Arrivals for the Houston Ship Channel

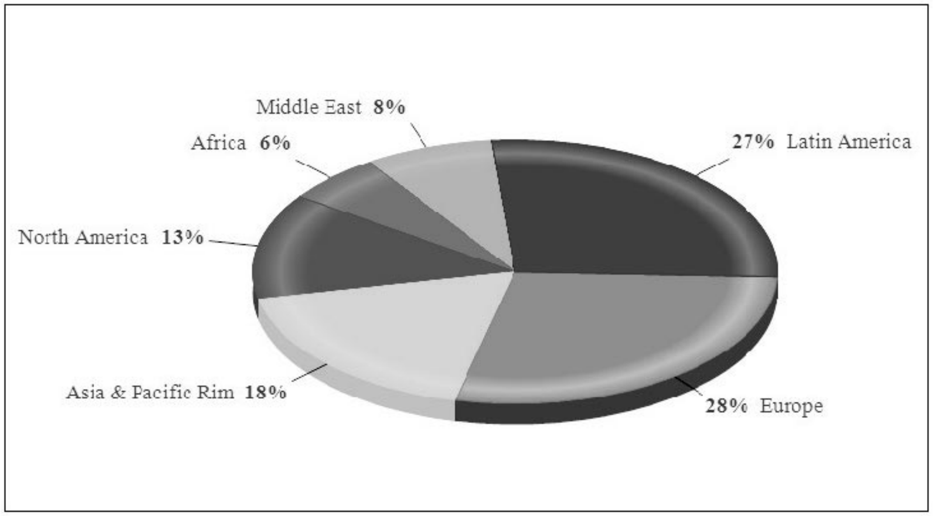
Port of Houston Authority of Harris County, Texas
Bulk Commodity Statistics
Last 10 Fiscal Years
(in thousands)
(short tons) (a)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cement	-	-	-	-	-	-	-	-	157	179
Coke	3,282	2,712	2,970	3,698	4,673	4,518	4,563	4,979	4,404	3,382
Coal	1,909	2,441	1,729	549	-	-	-	-	-	-
Fertilizer	62	75	18	-	27	26	37	-	-	-
Grain	2,311	2,264	1,286	2,376	2,042	1,560	2,097	1,746	1,606	1,331
Industrial Chemical	10,864	10,563	10,895	10,682	10,989	9,490	8,929	8,957	8,938	8,335
Molasses	253	249	263	241	121	206	234	156	347	283
Petroleum Products	361	581	621	509	549	343	125	43	32	72
Tallow	191	182	251	259	345	320	518	480	419	328
Dry Bulk	356	525	601	555	504	377	964	870	824	995
Vegetable Oil	194	341	105	178	159	252	375	64	-	-
Miscellaneous Bulk	-	-	17	7	28	14	24	23	53	51
Totals	19,783	19,933	18,756	19,054	19,437	17,106	17,866	17,318	16,780	14,956

- Source: The Authority
- Note (a) Short ton equal 2000 pounds

Port of Houston Authority of Harris County, Texas
Foreign Trade through the Port of Houston

2014 Foreign Trade Through the Port of Houston by Region ($ Value)

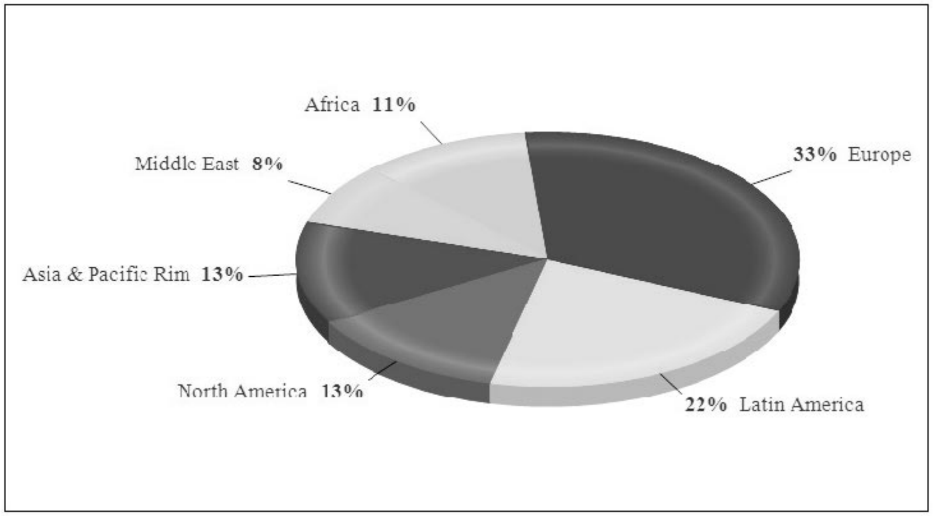


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2014 (000s)

	Imports	Exports	Total	Percent of World Total
Latin America	$ 10,715,326	$ 35,000,081	$ 45,715,407	27 %
Europe	24,769,416	21,284,869	46,054,285	28 %
Asia & Pacific Rim	15,322,106	14,503,584	29,825,690	18 %
North America	14,235,502	8,189,777	22,425,279	13 %
Middle East	8,363,401	5,517,271	13,880,672	8 %
Africa	1,617,690	7,520,726	9,138,416	6 %
Worldwide Totals	$ 75,023,441	$ 92,016,308	$167,039,749	100 %

Port of Houston Authority of Harris County, Texas
Foreign Trade through the Port of Houston

2005 Foreign Trade Through the Port of Houston by Region ($ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2005 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 17,704,824	$ 10,725,890	$ 28,430,714	33 %
Latin America	9,339,582	9,430,242	18,769,824	22 %
North America	7,702,348	3,870,341	11,572,689	13 %
Asia & Pacific Rim	5,966,125	5,523,744	11,489,869	13 %
Middle East	4,499,046	2,190,178	6,689,224	8 %
Africa	5,980,401	3,068,575	9,048,976	11 %
Worldwide Totals	$ 51,192,326	$ 34,808,970	$ 86,001,296	100 %

- Source: U.S. Dept. of Commerce, Bureau of Census

Port of Houston Authority of Harris County, Texas
Number of Regular Authority Employees by Type
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Exempt Employees	179	183	182	190	183	182	177	160	146	141
Non Exempt Employees	205	194	206	237	257	253	256	262	260	232
Hourly Employees	158	151	154	151	152	157	162	158	154	147
Total Active Employees	542	528	542	578	592	592	595	580	560	520

- Source: The Authority

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PORT OF HOUSTON AUTHORITY
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APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriters and the Authority believe the source of such information to be reliable, but take 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 redemption 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 redemption 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 ("SEC"), 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 security certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 a Standard & Poor's rating of AA+. 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.

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 Security ("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 DTC nominee do not affect 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 Security 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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).

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 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 securities 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, the 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 Issuer or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement 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, 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 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 the Paying Agent/Registrar as set forth in the Order. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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

FORMS OF BOND COUNSEL OPINIONS

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[CLOSING DATE]

WE HAVE ACTED as bond counsel for Port of Houston Authority of Harris County, Texas (the "Authority") in connection with the bonds described as follows:

> PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2015A (TAX EXEMPT NON-AMT), dated August 15, 2015, in the principal amount of $62,805,000 (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, the orders adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (the "Bond Orders") and in the pricing certificate executed pursuant thereto (the "Pricing Certificate," and together with the Bond Orders, the "Order").

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 for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the bonds being refunded with the proceeds of the Bonds (the "Refunded Bonds"), on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; an escrow agreement (the "Escrow Agreement") between the Authority and Amegy Bank, National Association, as escrow agent (the "Escrow Agent"); a report of Grant Thornton LLP (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds (the "Report"); customary certificates of officers, agents and representatives of the Authority and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. I-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(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 effective and therefore the Bonds constitute a valid and legally binding obligation of the Authority.

(2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the Authority and pledged irrevocably to the payment of the principal of and interest on the Bonds; and

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement and the Report, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that, under existing law:

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes; and

(5) The Bonds are not "private activity bonds" within the meaning of the Code, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax.

In providing such opinions, we have relied on representations of the Authority, the Authority's financial advisor and the underwriters of the Bonds, with respect to matters solely within the knowledge of the Authority, the Authority's financial advisor and the underwriters of the Bonds, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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[CLOSING DATE]

WE HAVE ACTED as bond counsel for Port of Houston Authority of Harris County, Texas (the "Authority") in connection with the bonds described as follows:

> PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2015B (AMT), dated August 15, 2015, in the principal amount of $25,905,000 (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, the orders adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (the "Bond Orders") and in the pricing certificate executed pursuant thereto (the "Pricing Certificate," and together with the Bond Orders, the "Order").

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 for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the bonds being refunded with the proceeds of the Bonds (the "Refunded Bonds"), on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; an escrow agreement (the "Escrow Agreement") between the Authority and Amegy Bank, National Association, as escrow agent (the "Escrow Agent"); a report of Grant Thornton LLP (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds (the "Report"); customary certificates of officers, agents and representatives of the Authority and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. I-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(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 effective and therefore the Bonds constitute a valid and legally binding obligation of the Authority.

(2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the Authority and pledged irrevocably to the payment of the principal of and interest on the Bonds; and

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement and the Report, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that, under existing law:

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law for any period a Bond is held by a "substantial user" or a "related person" to such a "substantial user of the facilities financed with the proceeds of the Bonds; and

(5) The Bonds are "private activity bonds" under the code and interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

In providing such opinions, we have relied on representations of the Authority, the Authority's financial advisor and the underwriters of the Bonds, with respect to matters solely within the knowledge of the Authority, the Authority's financial advisor and the underwriters of the Bonds, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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[CLOSING DATE]

WE HAVE ACTED as bond counsel for Port of Houston Authority of Harris County, Texas (the "Authority") in connection with the bonds described as follows:

> PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2015C (TAXABLE), dated August 15, 2015, in the principal amount of $27,260,000 (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, the orders adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (the "Bond Orders") and in the pricing certificate executed pursuant thereto (the "Pricing Certificate," and together with the Bond Orders, the "Order").

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. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the bonds being refunded with the proceeds of the Bonds (the "Refunded Bonds"), on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; an escrow agreement (the "Escrow Agreement") between the Authority and Amegy Bank, National Association, as escrow agent (the "Escrow Agent"); a report of Grant Thornton LLP (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds (the "Report"); customary certificates of officers, agents and representatives of the Authority and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. I-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(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 effective and therefore the Bonds constitute a valid and legally binding obligation of the Authority.

(2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the Authority and pledged irrevocably to the payment of the principal of and interest on the Bonds; and

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement and the Report, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

In providing such opinions, we have relied on representations of the Authority, the Authority's financial advisor and the underwriters of the Bonds, with respect to matters solely within the knowledge of the Authority, the Authority's financial advisor and the underwriters of the Bonds, respectively, which we have not independently verified. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations.

We observe that interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. We express no other opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on or acquisition, ownership or disposition of the Bonds.

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes.

APPENDIX D

SUMMARY OF TABLES RELATED TO CONTINUING DISCLOSURE OF INFORMATION

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Port of Houston Authority of Harris County, Texas • Unlimited Tax Refunding Bonds, Series 2015A (Tax Exempt Non-AMT), Series 2015B (AMT) and Series 2015C (Taxable)

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