

OFFICIAL STATEMENT DATED AUGUST 8, 2023

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: Moody's: "Aa3 (positive)"  
S&P "AA+ (stable)"  
(See "RATINGS" herein)

In the opinion of Greenberg Traurig, LLP, Tax Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes, and, further, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. See "TAX MATTERS" herein for a description certain other federal tax consequences of ownership of the Bonds.



\$393,585,000  
PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS  
(A political subdivision of the State of Texas having boundaries generally coterminous with Harris County, Texas)

FIRST LIEN REVENUE BONDS,  
SERIES 2023 (Non-AMT)

Interest Accrual Date: Date of Delivery

CUSIP Prefix: 734262

Due: October 1, as shown on page i herein

The Port of Houston Authority of Harris County, Texas, First Lien Revenue Bonds, Series 2023 (Non-AMT) (the "Bonds") are hereby offered for sale by the Port of Houston Authority of Harris County, Texas (the "Authority"). The Bonds are special obligations of the Authority constituting First Lien Obligations that, together with any additional First Lien Obligations hereafter issued, shall be payable solely from, and equally ratably secured by a lien on, the Net Revenues and the applicable accounts of the First Lien Debt Service Reserve Fund, all as defined and provided in the Resolution (defined herein). **The Bonds are not an indebtedness or a general obligation of the State of Texas (the "State"), Harris County, Texas, the City of Houston, Texas or the Authority. Owners of the Bonds shall never have the right to demand payment of principal of or interest on the Bonds from any funds raised or to be raised by taxation.** See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds are issued pursuant to the Constitution and laws of the State, including particularly (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 5007, Texas Special District Local Laws Code, as amended, (iii) Chapter 60, Texas Water Code, as amended, (iv) Chapter 62, Texas Water Code, as amended, (v) Chapter 1371, Texas Government Code, as amended, and (vi) the Master Resolution adopted by the Port Commission of the Authority (the "Port Commission") on September 28, 2021 (the "Master Resolution") and the Fourth Supplemental Resolution adopted by the Port Commission on July 25, 2023 (the "Fourth Supplemental Resolution"). In the Fourth Supplemental Resolution, the Port Commission delegated to authorized officers of the Authority the authority to execute a pricing certificate (the "Pricing Certificate"), executed on the date hereof, that sets forth the final terms of the Bonds. The Master Resolution, the Fourth Supplemental Resolution and Pricing Certificate are collectively referred to herein as the "Resolution."

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, 2023, and each April 1 and October 1 thereafter until maturity or prior 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 "THE BONDS."

The definitive Bonds will be initially registered solely in the name of Cede & Co., the nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Bonds will be payable by Zions Bancorporation, 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 D — BOOK-ENTRY-ONLY SYSTEM."

Proceeds of the Bonds will be used to (i) pay a portion of the Authority's costs for the design, construction, property acquisition and equipment of the Houston Ship Channel Expansion Channel Improvement Project and (ii) pay the costs of issuance of the Bonds. See "INTRODUCTION — Plan of Financing" and "THE BONDS."

The Bonds are subject to redemption prior to their maturity, as provided herein. See "THE BONDS — Optional Redemption," and "THE BONDS — Mandatory Sinking Fund Redemption."

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SEE PAGE i FOR MATURITY AND PRICING SCHEDULE, CUSIP NUMBERS AND REDEMPTION PROVISIONS

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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 opinions of Greenberg Traurig, LLP, Houston, Texas and Baker Williams Matthiesen LLP, Houston, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas and Hardwick Law Firm, LLC, Houston, Texas, co-counsel to the Underwriters. Certain legal matters will be passed upon for the Authority by Bracewell LLP, Houston, Texas and West & Associates, L.L.P., Houston, Texas, as Co-Disclosure Counsel to the Authority. The Bonds are expected to be available for delivery through DTC on or about August 31, 2023 (the "Date of Delivery").

MORGAN STANLEY  
HILLTOP SECURITIES

LOOP CAPITAL MARKETS  
BLAYLOCK VAN, LLC

**PORT OF HOUSTON AUTHORITY**



## MATURITY AND PRICING SCHEDULE, CUSIP NUMBERS AND REDEMPTION PROVISIONS

### PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

#### \$393,585,000 FIRST LIEN REVENUE BONDS SERIES 2023 (Non-AMT)

**CUSIP PREFIX: 734262** <sup>(a)</sup>

#### \$195,880,000 Serial Bonds

Maturity (October 1) <sup>(b)</sup>	Principal Amount	Interest Rate	Initial Yield <sup>(c)</sup>	CUSIP Suffix <sup>(a)</sup>
2024	\$5,925,000	5.000%	3.420%	FZ6
2025	6,220,000	5.000	3.270	GA0
2026	6,530,000	5.000	3.180	GB8
2027	6,860,000	5.000	3.070	GC6
2028	7,200,000	5.000	3.070	GD4
2029	7,560,000	5.000	3.060	GE2
2030	7,940,000	5.000	3.080	GF9
2031	8,335,000	5.000	3.070	GG7
2032	8,750,000	5.000	3.100	GH5
2033	9,190,000	5.000	3.180	GJ1
2034	9,650,000	5.000	3.250	GK8
2035	10,130,000	5.000	3.320	GL6
2036	10,640,000	5.000	3.380	GM4
2037	11,170,000	5.000	3.480	GN2
2038	11,730,000	5.000	3.580	GP7
2039	12,315,000	5.000	3.670	GQ5
2040	12,930,000	5.000	3.770	GR3
2041	13,580,000	5.000	3.850	GS1
2042	14,255,000	5.000	3.930	GT9
2043	14,970,000	5.000	3.970	GU6

#### \$197,705,000 Term Bonds

\$86,855,000 Term Bond Due October 1, 2048,<sup>(b)(d)</sup> 5.000%, Initial Yield<sup>(c)</sup> 4.170% CUSIP Suffix<sup>(a)</sup> GV4

\$110,850,000 Term Bond Due October 1, 2053,<sup>(b)(d)</sup> 5.000%, Initial Yield<sup>(c)</sup> 4.250% CUSIP Suffix<sup>(a)</sup> GW2

<sup>(a)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. 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 Co-Financial Advisors is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(b)</sup> The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after October 1, 2034, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on October 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption."

<sup>(c)</sup> The initial yields are established by and are the sole responsibility of the Underwriters, and may subsequently be changed. Initial yields are calculated to the earlier of maturity or the first optional redemption date.

<sup>(d)</sup> Subject to mandatory sinking fund redemption as described in "THE BONDS – Mandatory Sinking Fund Redemption."

## USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the maturity schedule, 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.

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 must not be relied upon.

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 OVER ALLOT 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 UNITED STATES 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.

None of the Authority, the Co-Financial Advisors, nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York (“DTC”) or its Book-Entry-Only System, as such information has been provided by DTC.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS. 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 website 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 websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

The agreements of the Authority and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the issuance of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

**Port of Houston Authority of Harris County, Texas**

**PORT COMMISSION**

Ric Campo, Chairman

Dean E. Corgey, Commissioner

Clyde Fitzgerald, Commissioner

Stephen H. DonCarlos, Commissioner

Roy D. Mease, Commissioner

Wendy Montoya Cloonan, Commissioner

Cheryl D. Creuzot, Commissioner

**ADMINISTRATION**

Roger Guenther, Executive Director

Thomas J. Heidt, Chief Operating Officer

Erik A. Eriksson, Chief Legal Officer

Tim Finley, Chief Financial Officer

Shannon Williams, Chief Audit Executive

Dr. Carla L. Wyatt, Harris County Treasurer

**CONSULTANTS AND ADVISORS TO THE AUTHORITY**

Auditors .....	FORVIS, LLP
Co-Financial Advisors .....	PFM Financial Advisors LLC TKG & Associates LLC
Co-Bond Counsel .....	Greenberg Traurig, LLP Baker Williams Matthiesen LLP
Co-Disclosure Counsel .....	Bracewell LLP West & Associates, L.L.P.

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## OFFICIAL STATEMENT

relating to

### PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

**\$393,585,000**

### **FIRST LIEN REVENUE BONDS, SERIES 2023 (Non-AMT)**

## INTRODUCTION

### General

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 First Lien Revenue Bonds, Series 2023 (Non-AMT) (the “Bonds”). The Bonds are special obligations of the Authority constituting First Lien Obligations that, together with the Authority’s Outstanding (as defined herein) First Lien Revenue Bonds, Series 2021 (Non-AMT) (the “Series 2021 Bonds”) and any additional First Lien Obligations hereafter issued, shall be payable solely from, and equally and ratably secured by a lien on, the Net Revenues and the applicable accounts of the First Lien Debt Service Reserve Fund, all as defined and provided in the Resolution (defined herein). **The Bonds are not an indebtedness or a general obligation of the State, the County, the City of Houston, Texas (the “City”) or the Authority. Owners of the Bonds shall never have the right to demand payment of principal of or interest on the Bonds from any funds raised or to be raised by taxation.** See “SECURITY AND SOURCE OF PAYMENT” herein. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution and as set forth in “APPENDIX A –MASTER RESOLUTION” and “APPENDIX B – FOURTH SUPPLEMENTAL RESOLUTION.”

The Bonds are issued pursuant to the Constitution and laws of the State, including particularly (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 5007, Texas Special District Local Laws Code, as amended, (iii) Chapter 60, Texas Water Code, as amended, (iv) Chapter 62, Texas Water Code, as amended, (v) Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), and (vi) the Master Resolution adopted by the Port Commission of the Authority (the “Port Commission”) on September 28, 2021 (the “Master Resolution”) and the Fourth Supplemental Resolution adopted by the Port Commission on July 25, 2023 (the “Fourth Supplemental Resolution”). In the Fourth Supplemental Resolution, the Port Commission delegated to authorized officers of the Authority the authority to execute a pricing certificate (the “Pricing Certificate”), executed on the date hereof, that sets forth the final terms of the Bonds. The Master Resolution, the Fourth Supplemental Resolution and the Pricing Certificate are collectively referred to herein as the “Resolution.”

The Authority is a navigation district and a political subdivision of the State. The Authority is the non-federal sponsor of the 52-mile Houston Ship Channel (the “Houston Ship Channel” or “Channel”), the nation’s busiest waterway. With authorized depths ranging from 37.5 feet to 46.5 feet, the Channel links the City with the Gulf of Mexico. The more than 200 public and private terminals along the Channel comprise the greater port of Houston (“Port of Houston”). Since 2019, the greater Port of Houston has ranked first among United States ports in waterborne tonnage according to the U.S. Army Corps of Engineers (“USACE”) and reported by the U.S. Department of Transportation. The Authority owns and operates public wharves, marine terminals, freight handling facilities and related equipment, land, warehouses, and railroad rights-of-way and trackage adjoining the Houston Ship Channel. Most notably, the Authority owns and operates two container terminals, one at the Bayport Industrial Complex adjoining Pasadena, Texas, and the other at Morgan’s Point, Texas. The Authority’s container operations ranked fifth in the nation in volume, moving nearly four million Twenty Foot Equivalent Units (“TEUs” – a measure of container volume) in 2022. See “THE AUTHORITY” herein for more detailed information on the facilities and operations of the Authority.

The financial and operating data contained herein and in the appendices hereto, including in “APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY,” present information on the general financial condition of the Authority and are as of the dates and for the periods indicated therein.

### **Plan of Financing**

The proceeds of the Bonds will be used to (i) pay a portion of the Authority’s costs for the design, construction, property acquisition and equipment of the Houston Ship Channel Expansion Channel Improvement Project (“Project 11”) and (ii) pay the costs of issuance of the Bonds.

### **Project 11 – Houston Ship Channel Expansion Channel Improvement Project**

The Houston Ship Channel Expansion Channel Improvement Project is the result of the Authority’s multi-year collaboration with the USACE and Channel stakeholders, and the support of the United States Congress (“Congress”). It has been internally labeled, and is referred to in this Official Statement, as “Project 11,” as it is arguably the eleventh major improvement project to the waterway in its history. The improvements planned, designed, and partially constructed for Project 11 include widening the Houston Ship Channel by 170 feet along its Galveston Bay reach, from 530 feet to 700 feet, other widening upstream, deepening upstream segments up to 46.5 feet, safety and efficiency improvements, and new environmental features.

As the non-federal sponsor of the Channel, since 2010 the Authority has acted in partnership and coordination with, and support of, the USACE to carry out this work. As part of the planning, the USACE completed a five-year feasibility study that considered the economic benefits and environmental impacts of various proposed Channel improvements through the entire 52-mile waterway. During the study period, it was noted that the growth in U.S. energy production, manufacturing, and exports, as well as the increased size of ships, has significantly grown demand for use of the Houston Ship Channel and regional infrastructure, thereby increasing the urgency for these improvements. Safety was also a primary driver for an expanded Houston Ship Channel. Widening the Galveston Bay reach is critical in maintaining safe two-way traffic for modern, larger ships on the busiest waterway in the nation with nearly 20,000 annual ship transits and 200,000 barge movements annually, as tabulated by the U.S. Coast Guard.

Following completion of the feasibility study, in April 2020 the USACE Chief of Engineers signed the final Chief’s Report for Project 11, and in December, Congress authorized the locally-preferred plan for Project 11 by Public Law 116-260, Section 401(1) of the Water Resources Development Act (“WRDA”) of 2020. In January 2021, the Authority was notified by the USACE that it had been awarded a “new start” designation and \$19.5 million in federal funds to begin construction of Project 11. In July 2021, the Authority and USACE executed a Project Partnership Agreement (“PPA”) that describes the project and sets forth the respective responsibilities of the USACE and Authority in cost sharing and the execution of project work. Between September 2019 and July 2021, the design work for the majority of Project 11 construction was completed by the Authority, in cooperation with the USACE. In 2021, the Authority issued its Series 2021 Bonds in the aggregate principal amount of \$322,180,000 to fund the local share of the project costs for the initial phases of Project 11. The Port Commission awarded dredging construction contracts beginning in the fourth quarter of 2021 and the Authority commenced such dredging in 2022 in the Galveston Bay reach of Project 11. The Bonds are being issued to help fund the remaining scheduled local share of the project costs of Project 11.

See “THE AUTHORITY – Project 11 – Houston Ship Channel Expansion Channel Improvement Project” for additional information on Project 11’s scope, cost sharing arrangements, federal approvals for the funding and construction, and construction phasing.

### **Summary of Security and Source of Payment**

The Bonds are the second series of obligations issued under the Master Resolution, and are special obligations of the Authority constituting First Lien Obligations that, together with the Authority’s Outstanding Series 2021 Bonds and any additional First Lien Obligations hereafter issued, shall be payable solely from, and equally and ratably secured by a lien on, the Net Revenues and the applicable accounts of the First Lien Debt Service Reserve Fund, all

as defined and provided in the Resolution. See “SECURITY AND SOURCE OF PAYMENT.” See “DEBT INFORMATION – Third Lien Revenue Note Programs” for descriptions of a third lien revolving note program and a third lien revenue extendible commercial paper program established by the Authority. As of the date of this Official Statement, there are no notes outstanding under either the third lien revenue note program or the third lien revenue extendible commercial paper program.

**NONE OF THE STATE, THE COUNTY, THE CITY OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE AUTHORITY. OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS FROM ANY FUNDS RAISED OR TO BE RAISED BY TAXATION.**

### **Investment Considerations**

All financial and other information presented in this Official Statement has been provided by the Authority from its records, except for information expressly attributed to other sources. The presentation of information, including tables of revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Authority. Investment in the Bonds involves certain risks, some of which are discussed throughout this Official Statement. The statements contained in this Official Statement, and in other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority’s expectations, beliefs, 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 hereof, and the Authority assumes no obligation to update any such forward-looking statements. See “FORWARD LOOKING STATEMENTS.” See “CERTAIN INVESTMENT CONSIDERATIONS” for a discussion of certain investment considerations that should also be considered in evaluating an investment in the Bonds. The investment considerations do not purport to be an exhaustive list of all considerations that may be relevant to investment in the Bonds.

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## SOURCES AND USES OF FUNDS

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

### Sources of Funds:

Principal Amount	\$393,585,000.00
Premium	<u>33,807,067.35</u>
<b>Total Sources of Funds</b>	<b><u>\$427,392,067.35</u></b>

### Uses of Funds:

Deposit to Project Fund	\$425,000,000.00
Underwriters' Discount	1,349,602.65
Costs of Issuance <sup>(1)</sup>	1,040,000.00
Deposit to Debt Service Fund	<u>2,464.70</u>
<b>Total Uses of Funds</b>	<b><u>\$427,392,067.35</u></b>

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

## THE BONDS

### Description of the Bonds

The Bonds are dated August 31, 2023 (the "Date of Delivery") and mature on October 1 in each of the years and in the aggregate principal amounts shown on page i hereof. Interest on the Bonds will accrue from the Date of Delivery, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on each April 1 and October 1, commencing October 1, 2023 continuing until maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

### Authority for Issuance

The Bonds are issued pursuant to the provisions of the Constitution and laws of the State, including particularly (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 5007, Texas Special District Local Laws Code, as amended, (iii) Chapter 60, Texas Water Code, as amended, (iv) Chapter 62, Texas Water Code, as amended, (v) Chapter 1371, and (vi) the Resolution.

### Optional Redemption

The Authority reserves the right, at its option, to redeem the Bonds having stated maturities on and after October 1, 2034, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on October 1, 2033, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Authority may select the maturities of Bonds (or mandatory sinking fund payments with respect to term bonds) and the principal amount thereof to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form)

to call by lot or other customary random selection method the Bonds, or portions thereof, within such maturity (or mandatory sinking fund payment with respect to term bonds) to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### **Mandatory Sinking Fund Redemption**

The Bonds maturing on October 1, 2048 and October 1, 2053 (the “Term Bonds”), shall be subject to mandatory sinking fund redemption (at a redemption price equal to the principal amount thereof, without premium, plus any accrued interest thereon to the date set for redemption, out of monies available for such purpose in the interest and sinking fund) on October 1 in each of the years and in the amounts set forth below:

#### **Term Bonds Maturing October 1, 2048**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Mandatory Sinking Fund Payment</u></b>
October 1, 2044	\$15,720,000
October 1, 2045	\$16,505,000
October 1, 2046	\$17,330,000
October 1, 2047	\$18,195,000
October 1, 2048 (Stated Maturity)	\$19,105,000

#### **Term Bonds Maturing October 1, 2053**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Mandatory Sinking Fund Payment</u></b>
October 1, 2049	\$20,060,000
October 1, 2050	\$21,065,000
October 1, 2051	\$22,115,000
October 1, 2052	\$23,225,000
October 1, 2053 (Stated Maturity)	\$24,385,000

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption. The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to such mandatory redemption requirements shall be reduced, at the option of the Authority, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the Authority, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

### **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 a 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 owners. Any Bond subject to conditional redemption for which such redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default.

### **Defeasance**

The Authority reserves the right to discharge and defease its obligations with respect to the Bonds in any manner now or hereafter permitted by the laws of the State. Without limiting the provisions of the foregoing, the Authority may discharge its obligation to the Owners of any or all of the Bonds to pay the principal of and interest on, the Maturity Amount, and redemption premium and other obligations (if any) thereon:

(i) by depositing with the applicable paying agent/registrar, if any, or escrow agent for such Bonds cash in an amount equal to the principal amount of and interest on, the Maturity Amount and redemption premium, if any, on such Bonds plus interest thereon to the date of maturity or redemption, or

(ii) by depositing either with the applicable paying agent/registrar, if any, or escrow agent for such Bonds or with any entity qualifying to receive such funds under Chapter 1207, Texas Government Code, as amended (or its successor), pursuant to an escrow or trust agreement, cash and/or any obligation authorized under State law to be deposited for the payment or redemption of such Bonds, in principal amounts and maturities and bearing interest at rates sufficient, based upon a verification report of an independent certified public accountant or other verification agent, to provide for the timely payment of the principal amount of or the Maturity Amount and redemption premium, if any, of such Bonds plus interest thereon to the date of maturity or redemption.

See “APPENDIX A –MASTER RESOLUTION” and “APPENDIX B –FOURTH SUPPLEMENTAL RESOLUTION” for additional information regarding defeasance.

### **Replacement Bonds**

In the event that a Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first: (1) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond; (2) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the Authority to save them harmless; (3) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and (4) satisfies any other reasonable requirements imposed by the Authority and the Paying Agent/Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority or the Paying Agent/Registrar in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond.

### **Book-Entry-Only System**

APPENDIX D 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 DTC while the Bonds are registered in its nominee name. The information in APPENDIX D 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 the Authority and the Underwriters take 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 United States 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 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 DTC 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 Resolution will be given only to DTC.

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. In the Resolution, 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 bank, including a commercial bank, or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Authority agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, printed Bonds will be delivered to the registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Bonds 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. 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 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 Bonds surrendered for exchange or transfer. See “APPENDIX D – BOOK-ENTRY-

ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds unless and until use of such system is discontinued.

### **Record Date for Interest Payment**

The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the 15th calendar day of the preceding month.

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 (“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 Holder of a Bond appearing on the registration 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. “Business Day” shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions generally in New York, New York, the State, or the principal offices of any Paying Agent are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

## **SECURITY AND SOURCE OF PAYMENT**

### **General**

The following summary of the security for the Bonds is qualified in its entirety and reference is hereby made to the Master Resolution and Fourth Supplemental Resolution. See “APPENDIX A – MASTER RESOLUTION” and “APPENDIX B – FOURTH SUPPLEMENTAL RESOLUTION.” For definitions of certain capitalized terms used but not defined herein, see “APPENDIX A – MASTER RESOLUTION.”

On September 28, 2021, the Port Commission adopted a Master Resolution establishing the Authority’s Financing System to (i) pay the cost of any Project, (ii) fund any reserve or other fund established in connection with the issuance of Obligations, (iii) refund and refinance outstanding Obligations and any other obligations of the Authority, (iv) pay the costs of issuance of such Obligations, and (v) provide funds for any other lawful purpose.

Pursuant to the Master Resolution, the Obligations may, if and when authorized by the Authority pursuant to one or more Supplemental Resolutions, be issued or incurred in one or more Series, and the designation thereof, in addition to describing the priority of the security therefor as “First Lien,” “Second Lien,” “Third Lien,” or such other lien level as shall be designated for Inferior Lien Obligations, shall include such further appropriate particular designation added to or incorporated in such title for the Obligations of any particular Series as the Authority may determine, including, without limitation, the designation of such Obligations as “Bonds,” “Notes,” “Certificates,” “Commercial Paper,” “Program Notes” or other appropriate designation. A Supplemental Resolution may authorize one or more Series to be established as a program for the issuance of commercial paper, direct purchase notes or other similar forms of indebtedness from time to time as First Lien Obligations, Second Lien Obligations, Third Lien Obligations, or Inferior Lien Obligations. Such Obligations may be issued as Long Term Obligations, Short Term Obligations or Balloon Obligations.

The Bonds have been designated as First Lien Obligations under the Master Resolution and are issued pursuant to the Fourth Supplemental Resolution. The Fourth Supplemental Resolution sets forth the specific terms and provisions of the Bonds and extends the pledge, lien and provisions of the Master Resolution to and for the benefit of the Owners of the Bonds. See “THE BONDS” for a description of the terms of the Bonds.

### **Pledge of Net Revenues**

The Bonds are special obligations of the Authority that, together with the Authority’s Outstanding Series 2021 Bonds and any Additional First Lien Obligations hereafter issued, are payable from and are equally and ratably secured by a first lien on the Net Revenues of the Authority and the First Lien Debt Service Fund and the applicable

account of the First Lien Debt Service Reserve Fund, all as defined and provided in the Resolution. The Authority does not have any Second Lien Obligations or Inferior Lien Obligations currently Outstanding. The Authority has created a \$100 million Third Lien Note Program (as defined herein) and a \$300 million Third Lien Revenue ECP Program (as defined herein). Any Obligations issued under the Third Lien Note Program or the Third Lien Revenue ECP Program will be Third Lien Obligations. The Authority currently expects that permanent financing for any notes issued under the Third Lien Note Program or the Third Lien Revenue ECP Program will be provided through the refunding of such notes with First Lien Obligations. See “DEBT INFORMATION – Third Lien Revenue Note Program” and “DEBT INFORMATION -Third Lien Revenue ECP Program.” As of the date hereof, there are no Obligations outstanding under either the Third Lien Note Program or the Third Lien Revenue ECP Program.

In the Master Resolution, the Authority covenants and represents that it has the lawful power to create liens on and to pledge the Net Revenues and the other items pledged thereunder to secure the payment of the Obligations and has lawfully exercised such power under the Constitution and laws of the State. The Authority further covenants and represents that, other than to the payment of Operation and Maintenance Expenses (including maintenance of the operating reserve) and the Obligations, the Gross Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the Authority, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Obligations.

In the Master Resolution, the Authority covenants and agrees that all Gross Revenues, as collected and received by the Authority, shall be applied promptly to pay all Operation and Maintenance Expenses then due and, after paying, reserving or encumbering for all Operation and Maintenance Expenses due in a month, shall be deposited and credited promptly to the Revenue Fund, and shall be applied in the manner hereinafter set forth, in order to provide for the payment of principal of, interest on and redemption premiums, if any, on the Obligations, the payment of Credit Agreement Obligations and Hedge Agreement Payment Obligations and the payment of all expenses of paying the same, and to provide for the disposition of the remaining Net Revenues in accordance with the Master Resolution.

*First Lien Obligations.* The First Lien Obligations shall constitute special obligations of the Authority that shall be payable solely from, and equally and ratably secured by a first lien on, the Net Revenues. In the Master Resolution, the Authority granted a lien on Net Revenues in the Revenue Fund and on the money and investments held in the First Lien Debt Service Fund and any other fund so designated in any Supplemental Resolution to secure the payment of the principal of and interest on, the Maturity Amount, and, redemption premium, if any, on all First Lien Obligations and all expenses of providing for their full and timely payment in accordance with their terms. For the additional benefit of the owners of the First Lien Obligations that are Debt Service Reserve Fund Participants (see “– First Lien Debt Service Reserve Fund,” herein), the Authority granted a lien on the First Lien Reserve Fund Participant Account of the First Lien Debt Service Reserve Fund, as and to the extent provided in the Supplemental Resolution authorizing such First Lien Obligations. For the additional benefit of the owners of the First Lien Obligations that are not Debt Service Reserve Fund Participants, the Authority may create one or more additional separate accounts within the First Lien Debt Service Reserve Fund and grant a lien on such accounts for the benefit of the Owners of such Series of First Lien Obligations all as more particularly described in Article V of the Master Resolution. Except with respect to the First Lien Debt Service Reserve Fund Participant Account or the other separate accounts of the First Lien Debt Service Reserve Fund and except to the extent a Supplemental Security has been provided in the manner described in Section 4.4 of the Master Resolution, all First Lien Obligations shall be in all respects on a parity with and of equal dignity with one another.

**The Owners of the Bonds shall never have the right to demand payment of either the principal of, or interest on, Maturity Amount of, or any redemption premium on, any Obligations, any Credit Agreement Obligations or any amounts due and owing under any Credit Agreement or Hedge Agreement out of any funds raised or to be raised by taxation.**

“Net Revenues” is defined in the Master Resolution as the Gross Revenues received each month or during any period after the payment or set aside of the portion thereof required to pay Operation and Maintenance Expenses due in such month or period.

“Gross Revenues” is defined in the Master Resolution as all income, tariffs, revenues, tolls, rents, lease money, returns and charges derived directly or indirectly by the Authority from the operation and use of and otherwise pertaining to the Port Facilities (defined below), or any part thereof, whether resulting from extensions, enlargements,

repairs, betterments or other improvements to the Port Facilities, exercise of the Authority's regulatory authority, or otherwise, and includes, except to the extent hereinafter expressly excluded, all revenues received by the Authority from the Port Facilities, including, without limitation, all income, proceeds, tariffs, tolls, rents, lease moneys, returns, rates, fees and other charges from vessel and cargo services, grain elevator operations and bulk materials handling plant operations, for the use of the Port Facilities, or for any service rendered by the Authority in the operation thereof, and interest and other income realized from the investment or deposit of amounts credited to any fund required to be maintained pursuant to the Master Resolution or any other Supplemental Resolution authorizing the issuance of Obligations. The aforementioned sources of revenues shall merely serve as types of revenue that the Authority may collect; the Authority is not enjoined from or mandated to collect all such revenues. Gross Revenues expressly exclude:

- (a) proceeds of any Obligations;
- (b) interest or other investment income derived from Obligation proceeds deposited to the credit of any construction fund, or applied to fund capitalized interest, or interest or investment income required to be retained in a debt service fund, a Debt Service Reserve Fund or any escrow fund, in order to accumulate therein any amount or balance required to be accumulated or maintained therein pursuant to any Supplemental Resolution authorizing any Series of Obligations;
- (c) all gross revenue, income, proceeds, tolls, rents, lease moneys, returns and charges derived by the Authority from the operation of Excluded Facilities;
- (d) any monies received as grants, appropriations, or gifts, unless they are designated by official action of the Port Commission at the time of receipt as being part of Gross Revenues;
- (e) any revenues derived from any Special Facilities that are pledged to the payment of Special Facilities Obligations;
- (f) insurance proceeds other than loss of use or business interruption insurance proceeds;
- (g) deposits, option fees and other funds collected by the Authority to which a third party holds a contractually-based reversionary interest or other legal or equitable ownership interest;
- (h) the proceeds of any user charge as may hereafter be collected by the Authority on behalf of, and that is payable to, the State, the United States, or any other governmental entities;
- (i) the proceeds of any charge as may hereafter be collected by the Authority that are statutorily restricted to a specific purpose to the extent utilized for such statutorily-restricted purpose, unless they are designated by official action of the Port Commission at the time of receipt as being part of Gross Revenues;
- (j) sales and other taxes collected by the Authority, on behalf of, and that are payable to, the State or any other taxing entities;
- (k) Federal Payments, unless the Authority first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not adversely affect the excludability of the interest on any Obligations the interest on which is otherwise excludable from gross income for federal income tax purposes;
- (l) subject to Section 6.3 of the Master Resolution, the net proceeds received by the Authority from the disposition of any Port Facilities or property owned by the Authority to the extent used to construct, improve, operate or maintain Port Facilities;
- (m) Excluded Fee and Charge Revenue;

- (n) Supplemental Security and revenue received under a Hedge Agreement; and
- (o) any revenues derived from ad valorem taxes levied and collected by the Authority or by the County on behalf of the Authority.

“Operation and Maintenance Expenses” is defined in the Master Resolution as all reasonable and necessary current expenses of the Authority, as determined by the “Generally Accepted Accounting Principles” for governmental entities in the United States (the “Accounting Principles”), of operating, maintaining and repairing the Port Facilities and the administration of the Authority, including, without limitation, insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund not in excess of premiums that would otherwise be required for such insurance; any general and excise taxes or other governmental charges imposed by entities other than the Authority; costs of contractual and professional services, labor, materials and supplies for current operations; fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative and general expenses, but excluding:

- (a) any allowance for depreciation;
- (b) costs of capital improvements;
- (c) any allowance for redemption of, or payment of principal, interest or premium on, Obligations or ad valorem tax supported obligations of the Authority;
- (d) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities;
- (e) any charges or obligations incurred in connection with any lawful Authority purpose, provided that such charges are payable from money on deposit in a specified fund or account created pursuant to the provisions of the Master Resolution and any Supplemental Resolution;
- (f) liabilities based upon the Authority’s negligence or other grounds not based on contract;
- (g) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period to the extent that the Federal Payments are used to pay such expenses;
- (h) so long as monies received as grants, appropriations or gifts are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to such grants, appropriations or gifts to the extent that they are used to pay such expenses; and
- (i) so long as monies received as proceeds of a charge collected by the Authority that are statutorily restricted to a specific purpose are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to such proceeds to the extent they are utilized to pay such expenses.

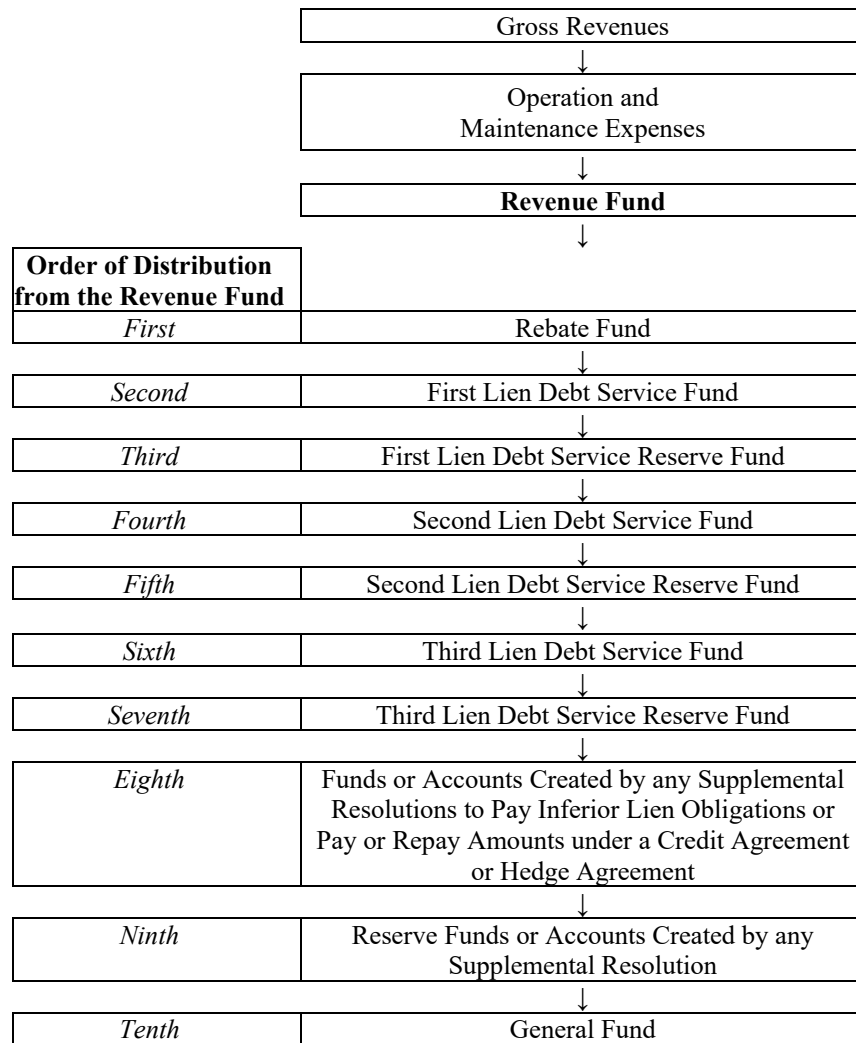
“Port Facilities” is defined in the Master Resolution as the real improved property, navigation improvements and facilities, channels and turning basins, dock and wharf facilities, warehouses, grain elevators, bunkering facilities, belt railroads and related facilities, floating plants, lighterage, towing facilities, bulk handling facilities and appurtenances to all the above described facilities used in the present or future operations of the Authority, including the Houston Ship Channel, and all other facilities, equipment or aids incidental to or useful in the operation of the Authority’s ports and waterways or in aid of navigation and commerce in such ports and on such waterways, or any interest therein, now or from time to time hereafter owned, operated or controlled by the Authority, together with all properties, facilities and services thereof operated or controlled by the Authority, and all additions, extensions, replacements and improvements thereto, and all services provided or to be provided by the Authority in connection

therewith, but expressly excluding the Excluded Facilities, the Special Facilities and all undeveloped real property not used for Authority operations or presently leased by the Authority as lessor.

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**Revenue Fund; and Flow of Funds**

The following is a graphic depiction of the flow of funds described below.



After the payment of or reservation or encumbrance for the payment of Operation and Maintenance Expenses due in a month from Gross Revenues, all Net Revenues shall be deposited as received by the Authority into the Revenue Fund. Unless modified with respect to a particular Series of Obligations in a Supplemental Resolution, which modifications shall not have an adverse effect with respect to any Outstanding Obligations, moneys on deposit in the Revenue Fund shall be deposited in, or credited to, as appropriate, the following Funds and Accounts, on or before the last Business Day of each month (each, a “Transfer Date”) beginning on the last Business Day of the calendar month in which any Obligations are issued and Outstanding hereunder (or on such other date or dates as may be provided in a Supplemental Resolution with respect to a particular Series of Obligations adopted in accordance herewith and any conditions contained in a Supplemental Resolution or Credit Agreement) in the following amounts and in the following order of priority (provided, however, that if the Chief Financial Officer of the Authority provides a written certification that a Fund contains the amount required to be deposited therein for a particular period under the Master Resolution and any Supplemental Resolution, the Authority may suspend transfers to such Fund for the period identified in such certification):

(a) **First**, to the Rebate Fund the amount, if any, necessary to pay the rebate amount required to be paid, pursuant to section 148(f) of the Internal Revenue Code of 1986, as amended, in the month following the Transfer Date; and

(b) **Second**, to the First Lien Debt Service Fund (or to a fund or account created to pay Credit Agreement Obligations under a Credit Agreement entered into in connection with First Lien Obligations or a Hedge Agreement Payment Obligation under a First Lien Hedge Agreement, if the same are not payable from the First Lien Debt Service Fund and deposits to such fund or account are ratable with deposits to the First Lien Debt Service Fund), an amount equal to the sum of the following:

(i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to First Lien Obligations that bear interest at a fixed rate payable semiannually; and

(ii) one-third (1/3) of the interest becoming due on the next quarterly Interest Payment Date with respect to First Lien Obligations that bear interest at a fixed rate payable quarterly; and

(iii) the amount of interest next becoming due in the following month on First Lien Obligations that bear interest at a fixed rate payable monthly; and

(iv) if interest on the First Lien Obligations bears interest payable at a variable rate or a fixed rate on other than a semi-annual, quarterly, or monthly basis, the amount required to provide for the payment of the interest thereon becoming due on the next Interest Payment Date in substantially equal monthly installments based on reasonably foreseeable financial conditions; and

(v) the amount of interest accruing in such month on First Lien Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds), together with the amount of interest that will accrue on such First Lien Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and

(vi) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of First Lien Obligations that will mature and become due and payable on the next annual maturity date therefor; and

(vii) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of First Lien Obligations subject to mandatory sinking fund redemption on the next annual mandatory sinking fund redemption date; and

(viii) the Credit Agreement Obligation secured by a pledge of and a lien on Net Revenues on parity with other First Lien Obligations or Hedge Agreement Payment Obligation, if any, payable by the Authority under a First Lien Hedge Agreement accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts shall be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts provided for by clauses (i) through (vii) above.

In calculating such monthly deposit to the First Lien Debt Service Fund, the following shall be taken into account and credited against deposits to the First Lien Debt Service Fund otherwise required by the foregoing clauses:

(a) any accrued interest deposited into the First Lien Debt Service Fund from the proceeds of a Series of First Lien Obligations, and any amounts credited to the First Lien Debt Service Fund and dedicated to pay capitalized interest on a Series of First Lien Obligations, in either case on or before the Transfer Date and anticipated to be available to pay interest on such First Lien Obligations on the next Interest Payment Date, (b) any other amounts deposited to the First Lien Debt Service Fund prior to the Transfer Date, (c) any investment income realized by the Authority from the investment of amounts on deposit in the First Lien Debt Service Fund and credited to the First Lien Debt Service Fund, and (d) any payments received by the Authority from a Counterparty under a First Lien Hedge Agreement and

deposited to the First Lien Debt Service Fund (which amounts shall be deposited to the First Lien Debt Service Fund as described in Section 3.3 of the Master Resolution).

No deposits shall be required under clauses (vi) or (vii), above, for the payment of the principal amount or Maturity Amount as applicable on a First Lien Obligation to the extent there is in effect a third party agreement (e.g. bond purchase agreement) to refund or refinance the principal amount or Maturity Amount coming due or the First Lien Obligation is a Short-Term Obligation that will be refinanced, refunded or rolled under a commercial paper program or a direct purchase note program.

Further, such monthly deposits shall be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of First Lien Obligations and the frequency of payments under any First Lien Hedge Agreements so as to assure ratable monthly accrual of all Obligations of the Authority payable thereunder. On or before each Transfer Date, the Authority shall make up any deficiencies in deposits on prior Transfer Dates from and to the extent moneys remain on deposit in the Revenue Fund.

(c) **Third**, to the First Lien Debt Service Reserve Fund, all amounts, if any, which, together with amounts on deposit therein and amounts available under a First Lien DSRF Security, may be required by any Supplemental Resolution, including transfers to pay all Credit Agreement Obligations under a First Lien DSRF Security.

(d) **Fourth**, to the Second Lien Debt Service Fund (or to a fund or account created to pay or Credit Agreement Obligations under a Credit Agreement entered into in connection with Second Lien Obligations or a Hedge Agreement Payment Obligation under a Second Lien Hedge Agreement), an amount equal to the sum of the following:

(i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to Second Lien Obligations that bear interest at a fixed rate payable semiannually; and

(ii) one-third (1/3) of the interest becoming due on the next quarterly Interest Payment Date with respect to Second Lien Obligations that bear interest at a fixed rate payable quarterly; and

(iii) the amount of interest next becoming due in the following month on Second Lien Obligations that bear interest at a fixed rate payable monthly; and

(iv) if interest on the Second Lien Obligations bears interest payable at a variable rate or fixed rate on other than a semi-annual, quarterly, or monthly basis, the amount required to provide for the payment of the interest thereon becoming due on the next Interest Payment Date in substantially equal monthly installments under reasonably foreseeable financial conditions; and

(v) the amount of interest accruing in such month on Second Lien Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds), together with the amount of interest that will accrue on such Second Lien Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and

(vi) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Second Lien Obligations that will mature and become due and payable on the next annual maturity date therefor; and

(vii) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Second Lien Obligations subject to mandatory sinking fund redemption on the next annual mandatory sinking fund redemption date; and

(viii) the Credit Agreement Obligation secured by a pledge of and a lien on the Net Revenues on parity with other Second Lien Obligations or Hedge Agreement Payment Obligations

the amount, if any, payable by the Authority under a Second Lien Hedge Agreement accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts shall be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts provided for by clauses (i) through (vii) above.

In calculating such monthly deposit to the Second Lien Debt Service Fund, the following shall be taken into account and credited against deposits to the Second Lien Debt Service Fund otherwise required by the foregoing clauses: (a) any accrued interest deposited into the Second Lien Debt Service Fund from the proceeds of a Series of Second Lien Obligations, and any amounts credited to the Second Lien Debt Service Fund and dedicated to pay capitalized interest on a Series of Second Lien Obligations, in either case before the Transfer Date and anticipated to be available to pay interest on such Second Lien Obligations on the next Interest Payment Date, (b) any amounts deposited to the Second Lien Debt Service Fund prior to the Transfer Date, (c) any investment income realized by the Authority from the investment of amounts on deposit in the Second Lien Debt Service Fund and credited to the Second Lien Debt Service Fund, and (d) any payments received by the Authority from a Counterparty under a Second Lien Hedge Agreement and deposited to the Second Lien Debt Service Fund (which amounts shall be deposited to the Second Lien Debt Service Fund as described in Section 3.3 of the Master Resolution).

No deposits shall be required under clauses (vi) or (vii), above, for the payment of the principal amount or Maturity Amount as applicable on a Second Lien Obligation to the extent there is in effect a third party agreement (e.g. bond purchase agreement) to refund or refinance the principal amount or Maturity Amount coming due or the Second Lien Obligation is a Short-Term Obligation that will be refinanced, refunded or rolled under a commercial paper program or a direct purchase note program.

Further, such monthly deposits shall be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of Second Lien Obligations and the frequency of payments under any Second Lien Hedge Agreements so as to assure ratable monthly accrual of all Obligations of the Authority payable thereunder. On or before each Transfer Date, the Authority shall make up any deficiencies in deposits on prior Transfer Dates from and to the extent monies remain on deposit in the Revenue Fund.

(e) **Fifth**, to the Second Lien Debt Service Reserve Fund, all amounts, if any, which, together with amounts on deposit therein and amounts available under a Second Lien DSRF Security, may be required by any Supplemental Resolution, including transfers to pay all Credit Agreement Obligations under a Second Lien DSRF Security.

(f) **Sixth**, to the Third Lien Debt Service Fund (or to a fund or account created to pay Credit Agreement Obligations under a Credit Agreement entered into in connection with Third Lien Obligations or a Hedge Agreement Payment Obligation under a Third Lien Hedge Agreement, if the same are not payable from the Third Lien Debt Service Fund and deposits to such fund or account are ratable with deposits to the Third Lien Debt Service Fund), an amount equal to the sum of the following:

(i) one-sixth (1/6) of the interest becoming due on the next semiannual Interest Payment Date with respect to Third Lien Obligations that bear interest at a fixed rate payable semiannually; and

(ii) one-third (1/3) of the interest becoming due on the next quarterly Interest Payment Date with respect to Third Lien Obligations that bear interest at a fixed rate payable quarterly; and

(iii) the amount of interest next becoming due in the following month on Third Lien Obligations that bear interest at a fixed rate payable monthly; and

(iv) if interest on the Third Lien Obligations bears interest payable at a variable rate or a fixed rate on other than a semi-annual, quarterly, or monthly basis, the amount required to provide for the payment of the interest thereon becoming due on the next Interest Payment Date in substantially equal monthly installments based on reasonably foreseeable financial conditions; and

(v) the amount of interest accruing in such month on Third Lien Obligations that bear interest payable on other than a monthly basis (other than Capital Appreciation Bonds), together with the amount of interest that will accrue on such Third Lien Obligations through any Interest Payment Dates that will occur prior to the next Transfer Date; and

(vi) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Third Lien Obligations that will mature and become due and payable on the next annual maturity date therefor; and

(vii) one-twelfth (1/12) of the principal amount or Maturity Amount, as applicable, of Third Lien Obligations subject to mandatory sinking fund redemption on the next annual mandatory sinking fund redemption date; and

(viii) the Credit Agreement Obligation secured by a pledge of and a lien on Net Revenues on parity with other Third Lien Obligations or Hedge Agreement Payment Obligation, if any, payable by the Authority under a Third Lien Hedge Agreement accruing in such month or that will accrue through a payment date that will occur prior to the next Transfer Date; provided, that such amounts shall be included in the calculation of the monthly deposit only to the extent such amounts are required to be paid in addition to the amounts provided for by clauses (i) through (vii) above.

In calculating such monthly deposit to the Third Lien Debt Service Fund, the following shall be taken into account and credited against deposits to the Third Lien Debt Service Fund otherwise required by the foregoing clauses: (a) any accrued interest deposited into the Third Lien Debt Service Fund from the proceeds of a Series of Third Lien Obligations, and any amounts credited to the Third Lien Debt Service Fund and dedicated to pay capitalized interest on a Series of Third Lien Obligations, in either case on or before the Transfer Date and anticipated to be available to pay interest on such Third Lien Obligations on the next Interest Payment Date, (b) any other amounts deposited to the Third Lien Debt Service Fund prior to the Transfer Date, (c) any investment income realized by the Authority from the investment of amounts on deposit in the Third Lien Debt Service Fund and credited to the Third Lien Debt Service Fund, and (d) any payments received by the Authority from a Counterparty under a Third Lien Hedge Agreement and deposited to the Third Lien Debt Service Fund (which amounts shall be deposited to the Third Lien Debt Service Fund as described in Section 3.3 of the Master Resolution).

No deposits shall be required under clauses (vi) or (vii), above, for the payment of the principal amount or Maturity Amount as applicable on a Third Lien Obligation to the extent there is in effect a third party agreement (e.g. bond purchase agreement) to refund or refinance the principal amount or Maturity Amount coming due or the Third Lien Obligation is a Short-Term Obligation that will be refinanced, refunded or rolled under a commercial paper program or a direct purchase note program.

Further, such monthly deposits shall be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to each Series of Third Lien Obligations and the frequency of payments under any Third Lien Hedge Agreements so as to assure ratable monthly accrual of all Obligations of the Authority payable thereunder. On or before each Transfer Date, the Authority shall make up any deficiencies in deposits on prior Transfer Dates from and to the extent moneys remain on deposit in the Revenue Fund.

(g) **Seventh**, to the Third Lien Debt Service Reserve Fund, all amounts, if any, which, together with amounts on deposit therein and amounts available under a Third Lien DSRF Security, may be required by any Supplemental Resolution, including transfers to pay all Credit Agreement Obligations under a Third Lien DSRF Security

(h) **Eighth**, to any funds or accounts created by any Supplemental Resolution to pay Inferior Lien Obligations or pay or repay amounts under a Credit Agreement or Hedge Agreement secured on a lien and subordinate to the First Lien Obligations, Second Lien Obligations, and Third Lien Obligations. Supplemental Resolutions establishing such funds or accounts shall establish the application of such deposits.

(i) *Ninth*, to any reserve funds or accounts created by any Supplemental Resolution to provide a reserve for any lawful purpose. Supplemental Resolutions establishing such reserve funds or accounts shall establish the application of such deposits.

(j) *Tenth*, except as otherwise provided in a Supplemental Resolution, to the General Fund all amounts remaining on deposit in the Revenue Fund.

It shall be the duty of the Authorized Representatives of the Authority or his designee to cause all Gross Revenues to be accounted for, deposited, invested, transferred and applied in accordance with the provisions of Article V of the Master Resolution and any Supplemental Resolution.

### **Rebate Fund**

Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148(f) of the Code (or any successor provision) to pay costs related to the calculation of the amounts due.

### **First Lien Debt Service Fund**

The Authority may create such additional accounts in the First Lien Debt Service Fund pursuant to a Supplemental Resolution as it deems necessary or appropriate, including, but not limited to, (i) an account into which drawings on a Credit Agreement are to be deposited and from which principal or Maturity Amount, as applicable (including redemption price), of and interest on the Series of First Lien Obligations secured by such Credit Agreement are to be paid (and upon such payment, amounts on deposit in the First Lien Debt Service Fund shall be used to repay the provider of the Credit Agreement for such payments as and to the extent provided in Section 5.2 of the Master Resolution), and (ii) an account into which payments to the Authority from any First Lien Hedge Agreement Counterparty are to be deposited and from which payments from the Authority to any such First Lien Hedge Agreement Counterparty are to be paid as and to the extent provided in Section 5.2 of the Master Resolution.

The moneys in the First Lien Debt Service Fund shall be held for the benefit of the First Lien Obligations, to the extent the First Lien Obligations are made payable therefrom in the applicable Supplemental Resolution, and, pending application, shall be subject to a lien and charge in favor of the Owners of such First Lien Obligations until paid out or transferred as hereinafter provided. The Authority shall pay out of the First Lien Debt Service Fund to the respective Paying Agents, if any, for First Lien Obligations or other payees thereof (a) on or before each Interest Payment Date and each date fixed for the redemption or other payment of First Lien Obligations, the amount required for the payment of the interest becoming due on such date and (b) on or before each date on which First Lien Obligations or other payments secured by the First Lien Debt Service Fund mature or become subject to scheduled mandatory sinking fund redemption or optional redemption or otherwise become due, the amount required for payment of the principal amount or Maturity Amount, as applicable, of the First Lien Obligations maturing or otherwise becoming due, the redemption price of First Lien Obligations becoming subject to redemption on such date (or to purchase First Lien Obligations issued as term bonds in the open market to be credited against mandatory redemption requirements), and any other payments secured by moneys in the First Lien Debt Service Fund becoming due, except, in each case, to the extent such interest, principal amount or Maturity Amount, as applicable, or redemption price is paid from a fund or account other than the First Lien Debt Service Fund, as provided in the Supplemental Resolution authorizing such First Lien Obligation.

The Authority may determine to purchase First Lien Obligations in accordance with State law and may apply amounts in the First Lien Debt Service Fund to pay the purchase price of such First Lien Obligations if after the application of amounts in First Lien Debt Service Fund for such purpose, the amounts on deposit in the First Lien Debt Service Fund, together with amounts required to be deposited therein by Section 5.2 of the Master Resolution, will be sufficient to pay the principal or Maturity Amount, and interest next becoming due on the First Lien Obligations.

If at the time the Authority is required to make a transfer from the First Lien Debt Service Fund the moneys therein shall not be sufficient for such purpose, any remaining required transfers shall be accomplished pursuant to Section 5.11 of the Master Resolution.

Except as may be otherwise provided in any Supplemental Resolution authorizing any First Lien Obligations, whenever the total amounts on deposit to the credit of the First Lien Debt Service Fund and the First Lien Debt Service Reserve Fund, if applicable, shall be equivalent to the sum of the aggregate principal amount of all Outstanding First Lien Obligations plus the aggregate amount of all interest and other payments secured by the First Lien Debt Service Fund accrued and to accrue thereon, no further transfers need be made into the First Lien Debt Service Fund or the First Lien Debt Service Reserve Fund, if applicable, and such First Lien Obligations shall not be regarded as being Outstanding except for the purpose of being paid with the moneys credited to such Funds.

### **First Lien Debt Service Reserve Fund**

The Authority shall establish and maintain as hereinafter provided a balance in the applicable account of the First Lien Debt Service Reserve Fund equal to the First Lien Debt Service Reserve Fund Requirement (as defined and provided in the Supplemental Resolution authorizing such First Lien Obligations) for the First Lien Obligations that are secured thereby as established in the Supplemental Resolution authorizing such First Lien Obligations. In addition, within the First Lien Debt Service Reserve Fund, subaccounts may be established pursuant to Supplemental Resolutions into which the applicable First Lien Debt Service Reserve Fund Requirement for the particular Series of First Lien Obligations that are not First Lien Debt Service Reserve Fund Participants being issued under the Supplemental Resolution may be deposited. See “- Series 2023 Bond First Lien Debt Service Reserve Fund Requirement” for a description of the circumstances under which the Authority is required to fund a debt service reserve fund for the Bonds. The Bonds will be the initial series of First Lien Obligations designated as First Lien Debt Service Reserve Fund Participants.

The First Lien Debt Service Reserve Fund Requirement shall, as provided in any Supplemental Resolution authorizing such First Lien Obligations, be satisfied by depositing to the credit of the First Lien Debt Service Reserve Fund Participant Account (in the case of First Lien Obligations that are First Lien Debt Service Reserve Fund Participants) or such other designated accounts, as applicable, (in the case of First Lien Obligations that are not First Lien Debt Service Reserve Fund Participants) of the First Lien Debt Service Reserve Fund (i) after providing for the payment of Operating and Maintenance Expenses and making required transfers to the First Lien Debt Service Fund, transfers into the First Lien Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to accumulate within sixty (60) months the First Lien Debt Service Reserve Fund Requirement; (ii) proceeds of such First Lien Obligations or other lawfully appropriated funds in not less than the amount which, together with investment earnings thereon as estimated by the Authority, will be sufficient to fund fully the First Lien Debt Service Reserve Fund Requirement by no later than the end of the period of time for which the payment of interest on such First Lien Obligations has been provided out of proceeds of such Additional First Lien Obligations or investment earnings thereon as estimated by the Authority or from other lawfully available funds other than Net Revenues; or (iii) a surety bond, insurance policy or letter of credit or similar financial instrument; provided that, at the time of deposit, either the rating for the long-term unsecured debt of the issuer of such surety bond, insurance policy or letter of credit or similar financial instrument, or the rating for obligations insured, secured or guaranteed by such issuer are required to be in one of the three highest letter categories by at least one nationally recognized securities rating agency (each, a “First Lien DSRF Security”) and which First Lien DSRF Security is in an amount equal to the amount required to be funded. The First Lien DSRF Security shall be payable (upon the giving of any notice as may be required thereunder) on any Interest Payment Date, principal payment date or redemption date on which moneys will be required to be withdrawn from the First Lien Debt Service Reserve Fund and applied to the payment of the principal amount, Maturity Amount or redemption price of or interest on any First Lien Obligations secured thereby, unless otherwise provided in a Supplemental Resolution. Any downgrade of an issuer of a First Lien DSRF Security shall have no effect on the value of such instrument for the purposes of meeting the First Lien Debt Service Reserve Fund Requirement and the Authority shall have no obligation to supplement or replace such First Lien DSRF Security or make additional cash contributions to the First Lien Debt Service Reserve Fund as a result of such downgrade. The Authority further expressly reserves the right to substitute at any time a First Lien DSRF Security for any funded amounts in the First Lien Debt Service Reserve Fund and to apply the funds thereby released for any lawful purpose, including without limitation any purpose for which First Lien Obligations may be issued or in order to pay debt service on First Lien Obligations. The Authority also reserves the right to provide for the use of a

DSRF Security in relationship to a Series-specific debt service reserve requirement as may be required under any Supplemental Resolution.

In any month in which any account of the First Lien Debt Service Reserve Fund contains less than the applicable First Lien Debt Service Reserve Fund Requirement (or so much thereof as shall then be required to be therein if the Authority has elected to accumulate the First Lien Debt Service Reserve Fund Requirement for any Series of First Lien Obligations as above provided), then on or before the last Business Day of such month, after making all required payments and provision for payment of Operation and Maintenance Expenses and all required transfers to the First Lien Debt Service Fund, there shall be transferred on a pro rata basis into the First Lien Debt Service Reserve Fund Participant Account (in the case of First Lien Obligations that are Debt Service Reserve Fund Participants) and such other designated accounts, as applicable, (in the case of First Lien Obligations that are not Debt Service Reserve Fund Participants) of the First Lien Debt Service Reserve Fund from the Revenue Fund, such amounts as shall be required to permit the Authority to pay all Credit Agreement Obligations under First Lien DSRF Security allocable to the First Lien Debt Service Reserve Fund Participant Account or such other designated accounts, as applicable, within a twelve (12) month period and such additional amounts as shall be sufficient to enable the Authority within a twelve (12) month period to reestablish in the First Lien Debt Service Reserve Fund Participant Account or such other designated accounts within the First Lien Debt Service Fund, as applicable, the First Lien Debt Service Reserve Fund Requirement for the First Lien Obligations secured thereby. After such amounts have been accumulated in the First Lien Debt Service Reserve Fund Participant Account and such other designated accounts (as described above), and so long thereafter as such accounts contain the First Lien Debt Service Reserve Fund Requirement, no further transfers shall be required to be made into the First Lien Debt Service Reserve Fund Participant Account or such other designated accounts within the First Lien Debt Service Reserve Fund, and any excess amounts in such accounts shall be transferred to the First Lien Debt Service Fund to the extent the excess is attributable to the First Lien Debt Service Reserve Fund for any tax-exempt First Lien Obligations, and otherwise, shall be transferred to the Revenue Fund or such other Funds as may be permitted by federal tax law. But if and whenever the balance in the First Lien Debt Service Reserve Fund Participant Account or such other designated accounts is reduced below the applicable First Lien Debt Service Reserve Fund Requirement, monthly transfers to such accounts shall be resumed and continued in such amounts as shall be required to restore the First Lien Debt Service Reserve Fund Participant Account or such other designated accounts within the First Lien Debt Service Fund, as applicable, to such amount within a twelve (12) month period.

The First Lien Debt Service Reserve Fund Participant Account shall be used to pay the principal of and interest on the First Lien Obligations that are Debt Service Reserve Fund Participants at any time when there is not sufficient money available in the First Lien Debt Service Fund for such purpose (with the requirement that all cash and investments on deposit in such account be depleted before drawing upon any First Lien DSRF Security, unless provided otherwise in each of the First Lien DSRF Securities allocable to the First Lien Debt Service Reserve Fund Participant Account) and to repay amounts drawn under any First Lien DSRF Security allocable to such First Lien Debt Service Reserve Fund Participant Account for such purpose, together with interest thereon, in accordance with the terms of the Authority's Credit Agreement Obligations incurred in connection with such First Lien DSRF Security. The First Lien Debt Service Reserve Fund Participant Account may also be used to make the final payments for the retirement or defeasance of all First Lien Obligations then Outstanding that are secured thereby.

With respect to any Series of First Lien Obligations that are not First Lien Debt Service Reserve Fund Participants, such as the Series 2021 Bonds, any account created within the First Lien Debt Service Reserve Fund for the benefit of such Series of First Lien Obligations shall be used to pay the principal and interest on such Series of First Lien Obligations at any time when there is not sufficient money available in the First Lien Debt Service Fund for such purpose and to repay amounts drawn under any First Lien DSRF Security allocable to such account for such purpose, in accordance with the terms of the Supplemental Resolution establishing such account.

The Authority directs and requires the Paying Agent/Registrar for any Series of First Lien Obligations to ascertain the necessity for claim or draw upon the applicable First Lien DSRF Security, and to provide notice to the issuer thereof in accordance with its terms and to make such claims or draws thereon as may be necessary to provide for the timely payment of principal of and interest on the First Lien Obligations to which it pertains.

### **First Lien Debt Service Reserve Fund Requirement**

The Bonds are First Lien Debt Service Reserve Fund Participants. Under the Fourth Supplemental Resolution, for so long as Net Revenues of the Authority equal or exceed 300% of Annual Debt Service for all First Lien Obligations Outstanding at the time of such calculation, there shall be no First Lien Debt Service Reserve Fund Requirement for the First Lien Debt Service Reserve Fund Participants. However, if Net Revenues of the Authority decrease to an amount less than 300% of Annual Debt Service for all First Lien Obligations outstanding at the time of calculation, the Authority shall fund the First Lien Debt Service Reserve Fund Requirement for so long as the Net Revenues remain at an amount less than 300% of Annual Debt Service for all First Lien Obligations outstanding. If the obligation to fund the First Lien Debt Service Reserve Fund Requirement is triggered, the First Lien Debt Service Reserve Fund Requirement shall, as of any date of calculation, be an amount equal to the lesser of (i) ten percent of the stated principal amount of the Outstanding First Lien Obligations that are First Lien Debt Service Reserve Fund Participants (or Issue Price of the Outstanding First Lien Obligations that are First Lien Debt Service Reserve Fund Participants in the event that the amount of Original Issue Discount exceeds two percent multiplied by the Stated Redemption Price at Maturity of the First Lien Obligations that are First Lien Debt Service Reserve Fund Participants), (ii) the maximum annual principal and interest requirements of the Outstanding First Lien Obligations that are First Lien Debt Service Reserve Fund Participants, and (iii) 125 percent of average annual principal and interest requirements of the Outstanding First Lien Obligations that are First Lien Debt Service Reserve Fund Participants. Once the funding obligation is triggered, the Authority shall initially fund such First Lien Debt Service Reserve Requirement over a period of 36 months in equal monthly installments. While obligated to maintain the First Lien Debt Service Reserve Fund Requirement for the Outstanding First Lien Obligations that are First Lien Debt Service Reserve Fund Participants, such fund shall be maintained in accordance with the Resolution. The requirement set forth above to establish and maintain the First Lien Debt Service Reserve Fund Requirement shall be suspended for such time as the Net Revenues of the Authority are equal or exceed 300% of Annual Debt Service for all First Lien Obligations outstanding at the time of such calculation. During such time as the obligation to maintain the First Lien Debt Service Reserve Fund Requirement has been suspended, the Authority may, at its option, withdraw all monies from the First Lien Debt Service Reserve Fund Participant Account and deposit such surplus in the Revenue Fund; provided, however, to the extent such monies constitute Bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which Bond proceeds may be used.

### **Second Lien Debt Service Fund**

Under the Master Resolution, the Authority may create such additional accounts in the Second Lien Debt Service Fund pursuant to a Supplemental Resolution as it deems necessary or appropriate. The moneys in the Second Lien Debt Service Fund shall be held for the benefit of the Second Lien Obligations, to the extent the foregoing are payable therefrom, and, pending application, shall be subject to a lien and charge in favor of the Holders of the Second Lien Obligations until paid out or transferred as hereinafter provided. The Authority does not currently have any Second Lien Obligations Outstanding. For additional information on the Second Lien Debt Service Fund, see “APPENDIX A – MASTER RESOLUTION.”

### **Second Lien Debt Service Reserve Fund**

Under the Master Resolution, the Authority is obligated to establish and maintain a balance in the Second Lien Debt Service Reserve Fund equal to the Second Lien Debt Service Reserve Fund Requirement for any Second Lien Obligations that are secured thereby as established in the Supplemental Resolution authorizing such Second Lien Obligations. The Authority does not currently have any Second Lien Obligations Outstanding. For additional information on the Second Lien Debt Service Reserve Fund, see “APPENDIX A – MASTER RESOLUTION.”

### **Third Lien Debt Service Fund**

Under the Master Resolution, the Authority may create such additional accounts in the Third Lien Debt Service Fund pursuant to a Supplemental Resolution as it deems necessary or appropriate. The moneys in the Third Lien Debt Service Fund shall be held for the benefit of the Third Lien Obligations, to the extent the foregoing are payable therefrom, and, pending application, shall be subject to a lien and charge in favor of the Holders of the Third Lien Obligations until paid out or transferred as hereinafter provided. The Authority has created a \$100 million Third

Lien Note Program and a \$300 million Third Lien Revenue ECP Program. For additional information on the Third Lien Debt Service Fund, see “APPENDIX A – MASTER RESOLUTION.” For additional information on the Third Lien Note Program, see “DEBT INFORMATION – Third Lien Revenue Note Program.” For additional information on the Third Lien Revenue ECP Program, see “DEBT INFORMATION – Third Lien Revenue ECP Program.”

### **Third Lien Debt Service Reserve Fund**

Under the Master Resolution, the Authority is obligated to establish and maintain a balance in the Third Lien Debt Service Reserve Fund equal to the Third Lien Debt Service Reserve Fund Requirement for any Third Lien Obligations that are secured thereby as established in the Supplemental Resolution authorizing such Third Lien Obligations. For additional information on the Third Lien Debt Service Reserve Fund, see “APPENDIX A – MASTER RESOLUTION.”

### **General Fund**

After making all payments, credits and transfers described heretofore, amounts credited to the General Fund may be used for any purpose permitted by law and not inconsistent with the terms and provisions of any Federal grants or aid or any contracts to which the Authority is a party, including, but not limited to, capital expenditures, establishing self-insurance reserves, contingency reserves and/or unrestricted reserves, costs of replacing any depreciable property or equipment of the Authority, any major or extraordinary repairs, any lease or contractual obligation, and transfers to make up any deficiency in any Fund established under Article V of the Master Resolution. The General Fund may contain such other funds or accounts as may be established by the policies of the Port Commission from time to time. The Authority reserves the right to pledge the funds on deposit in the General Fund to any lawful Authority obligation, including those entered into outside of the Master Resolution.

### **Perfection of Security Interest**

Pursuant to Chapter 1208, Texas Government Code, the liens created under the Resolution are valid, effective and perfected. If State law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the security granted by the Port Commission under the Master Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Registered Owners of the Obligations the perfection of the security interest in said pledge, the Port Commission has agreed to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

### **Investment of Funds; Transfer of Investment Income**

Money in the Revenue Fund, the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, the Second Lien Debt Service Reserve Fund, the Third Lien Debt Service Fund, the Third Lien Debt Service Reserve Fund, and any debt service funds or debt service reserve funds established for Inferior Lien Obligations shall, at the option of the Authority, be invested in Permitted Investments or in any other investments authorized by State law; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. All such investments shall be valued no less frequently than the last Business Day of the Authority’s Fiscal Year at their market value, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at an official depository of the Authority, except as otherwise permitted by the laws applicable to the Authority. For purposes of maximizing investment returns, money in such Funds may be invested, together with money in other Funds or with other money of the Authority, in common investments of the kind described above, or in a common pool of such investments maintained by the Authority or its designated agent, which shall not be deemed to be a loss of the segregation of such money or Funds, provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to any account of the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Reserve Fund, and the Third Lien Debt Service Reserve Fund shall remain in such funds to the extent necessary to accumulate the respective Debt Service Reserve Fund Requirement therefor other required balance therein.

All interest and income derived from deposits and investments of any amounts held in any construction fund, including amounts held therein as capitalized interest, created by any Supplemental Resolution authorizing the issuance of First Lien Obligations, Second Lien Obligations, or Third Lien Obligations shall remain in such construction fund for application in the manner provided in such applicable Supplemental Resolution.

To the extent not otherwise provided for in the Master Resolution (including Section 5.1(b) and Sections 5.12(b) and 5.12(c) of the Master Resolution) or specifically excluded from the definition of Gross Revenues, all interest and income derived from deposits and investments credited to the Revenue Fund, the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, the Second Lien Debt Service Reserve Fund, the Third Lien Debt Service Fund, and the Third Lien Debt Service Reserve Fund shall remain on deposit in such funds and be credited against future transfers to such funds, be transferred or credited semiannually to the Revenue Fund, or be transferred to such other Funds as may be required under federal tax law.

Notwithstanding anything to the contrary contained herein, any interest and income derived from deposits and investments of any amounts credited to any fund or account may be paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required in order to prevent interest on any Obligations from being includable within the gross income of the owners thereof for federal income tax purposes.

#### **Rate Covenant**

The Authority covenants that it will at all times fix, charge, impose and collect tariffs, rentals, tolls, rates, fees and other charges for the use of Port Facilities, and revise the same as may be necessary or appropriate, in order that in each Fiscal Year, after the payment of all Operating and Maintenance Expenses for such Fiscal Year paid or to be paid from Gross Revenues, Net Revenues are at least equal to the greater of (a) or (b) below:

(a) All amounts required to be deposited in such Fiscal Year to the credit of the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, the Second Lien Debt Service Reserve Fund, the Third Lien Debt Service Fund, and the Third Lien Debt Service Reserve Fund; or

(b) An amount not less than one hundred twenty-five percent (125%) of the Annual Debt Service in such Fiscal Year on all Outstanding First Lien Obligations, Second Lien Obligations and Third Lien Obligations.

In making the calculations in (a) and (b) above, the Authority may take into consideration as a credit against Annual Debt Service any amounts received, or reasonably expected to be received, in the Fiscal Year from or as a result of any Supplemental Security the Authority has pledged for the benefit of Obligations to the extent the Authority is not under an obligation to repay the amounts received; provided, however, that if the pledge is not for the benefit of all Obligations, the amounts expected to be received may only be taken into account when making the calculation for the affected Obligations. Except as provided below, if the Net Revenues in any Fiscal Year are less than the amounts specified above, the Authority, promptly upon receipt of the annual audit for such Fiscal Year, shall undertake revisions of the Authority's tariffs, rentals, tolls, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Port Facilities in order to satisfy as quickly as practicable, subject to commercial, contractual, statutory and regulatory constraints, the foregoing requirements for each succeeding Fiscal Year subject to commercial, contractual, statutory and regulatory constraints. So long as the Authority can demonstrate compliance with such foregoing requirements within twenty-four (24) months of its receipt of the annual audit specifying that the Net Revenues in any Fiscal Year are less than those specified above, the Authority will not be deemed to have defaulted in the performance of its duties under Section 4.3 of the Master Resolution, so long as there is no other default thereunder. Notwithstanding the above, the Authority must at all times fix, charge, impose and collect tariffs, rentals, tolls, rates, fees and other changes sufficient to produce Net Revenues in each Fiscal Year in an amount not less than one hundred percent (100%) of the Annual Debt Service for such Fiscal Year on all Outstanding First Lien

Obligations, Second Lien Obligations, and Third Lien Obligations. The Authority may make additions to the rate covenant established in Section 4.3 of the Master Resolution in order to accommodate the authorization of Inferior Lien Obligations.

### **Additional Covenants**

***Payment of Obligations.*** The Authority will punctually pay or cause to be paid the interest on, principal of, the Maturity Amount of and other amounts due on all Obligations according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in the Master Resolution and in any Supplemental Resolution.

***Maintenance of Port Facilities.*** So long as any Obligations remain outstanding, the Authority covenants that it will at all times maintain and operate all material Port Facilities, or within the limits of its authority cause the same to be maintained and operated, in good and serviceable condition.

***Sale or Encumbrance of Port Facilities.*** (a) Unless otherwise provided in this Section, except for (i) the use of the Port Facilities or services pertaining thereto in the normal course of business, (ii) a non-material part of the Port Facilities, or (iii) any Port Facilities sold, alienated or otherwise disposed of for “fair market value” or “reasonable market value” as determined by the Port Commission or an Authorized Representative (provided that the Port Commission or an Authorized Representative must first reasonably determine that such sale, alienation or other disposition for “fair market value” or “reasonable market value” will have no material adverse effect on the Gross Revenues of the Authority as determined at the time of such determination), no material part of the Port Facilities shall be sold, mortgaged, pledged, encumbered, alienated or otherwise disposed of until all Obligations have been paid in full, or unless provision has been made therefor in accordance with Section 6.7 of the Master Resolution, and the Authority shall not dispose of its title to a material part of the Port Facilities or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Port Facilities.

(b) Notwithstanding the foregoing, subject to the other provisions of this subsection (b), the Authority may and expressly reserves the right to:

(i) execute leases, franchises, licenses, easements or other agreements in connection with the ordinary operation of the Port Facilities by the Authority (so long as such leases, franchises, licenses, easements or other agreements do not, in the judgment of the Port Commission at the time of execution, restrict the operation of the Port Facilities or in the aggregate materially impair Net Revenues therefrom);

(ii) make pledges of and liens on (A) Gross Revenues for the payment of Operation and Maintenance Expenses and (B) Net Revenues for the payment of Obligations, and any other obligations pertaining to the Port Facilities, including, but not limited to, capital leases or other similar lease/purchase arrangements, which may be issued or incurred in accordance with the terms and conditions of the Master Resolution or outside of the Master Resolution if secured by revenues in the General Fund or other lawfully available funds other than Net Revenues or made on a subject to annual appropriations basis; provided, however, that if the payment of such obligations are secured by a lien on the Net Revenues on parity with First Lien Obligations, Second Lien Obligations, or Third Lien Obligations, respectively, such obligations shall be issued or entered into as First Lien Obligations, Second Lien Obligations, or Third Lien Obligations, respectively under the Master Resolution;

(iii) mortgage or encumber any personal property (including, for the avoidance of doubt, floating cranes, gantry cranes, ship-to-shore (“STS”) cranes and other cranes typically used by the Authority or its customers) or non-revenue producing property to be acquired or financed under a capital lease, lease/purchase or other similar arrangement in connection with the capital lease, lease/purchase, or other similar arrangement;

(iv) lease one or more Port Facilities to a private third party operator for operation as Port Facilities during the term of such lease if the Port Commission or an Authorized Representative determines at the time the Authority enters into such lease that the lease is in the financial interest of the Authority;

(v) terminate, alter, amend, extend and/or modify any leases or other agreements affecting Port Facilities or entered into hereafter; and

(vi) sell, exchange, lease, or otherwise dispose of any property constituting a part of the Port Facilities, which the Chairman of the Port Commission or an Authorized Representative certifies in good faith on behalf of the Authority (A) to be no longer useful in the construction or operation of the Port Facilities, or necessary for the efficient operation of the Port Facilities, or (B) to have been replaced by other property of at least equal value.

The net proceeds of the sale or disposition of any Port Facilities property pursuant to subsection (vi) shall be used for the construction, improvement, operation or maintenance of Port Facilities. No sale, lease, alienation or disposition of any Port Facilities, or early termination or amendment of any leases or other agreements, may be approved by the Authority unless the Authorized Representative determines such sale, lease, alienation or disposition of Port Facilities, or such early termination or amendment of any leases or other agreements, is reasonably expected by the Authority not to result in a violation of the Rate Covenant in the current Fiscal Year or a reasonably foreseeable Fiscal Year, as determined by the Authorized Representative at the time of such approval.

(c) Nothing in the Master Resolution shall prevent any transfer of all or a substantial part of the Port Facilities to another body corporate or politic (including, but not necessarily limited to a joint action agency) which assumes the Authority's obligations under the Master Resolution and under any Supplemental Resolution authorizing the issuance of Obligations, wholly or in part, if, a Port Management Consultant provides a written report setting forth projections indicating that the estimated Net Revenues of the entity assuming the Port's Obligations will be sufficient to meet the Rate Covenant following the transfer. In the event of any such transfer and assumption, nothing herein shall prevent the retention by the Authority of any facility of the Authority if the report of the Port Management Consultant indicates that, such retention will not prevent such other body's ability to comply with the requirements of the Rate Covenant.

**Insurance.** The Authority further covenants and agrees that it will keep the Port Facilities insured through self-insurance or, with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State operating similar properties, to the extent that such insurance is available at a commercially reasonable cost. The terms of all such commercially-provided insurance shall be on commercially reasonable terms and the costs of such insurance shall constitute an Operation and Maintenance Expense. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Port Facilities or shall be used to redeem or defease Obligations (or pledged as Supplemental Security for one or more Series of Obligations), except for proceeds of business interruption insurance, which shall be credited to the Revenue Fund. Notwithstanding the foregoing, the Authority reserves the right to not use self-insurance funds to repair or replace property that is damaged or destroyed, make other capital improvements to the Port Facilities, or redeem or defease Obligations (or pledge as Supplemental Security for one or more Series of Obligations) if the Port Commission or an Authorized Representative determines that not repairing or replacing the damaged or destroyed property will not have a material adverse effect on the operation of the Port Facilities or the Net Revenues of the Authority.

**Accounts, Records, and Audits.** So long as any Obligations remain outstanding, the Authority covenants and agrees that it will maintain a proper and complete system of all material records and accounts pertaining to the Gross Revenues and the operation of the Port Facilities in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Port Facilities. The Authority shall, within 180 days after the close of each Fiscal Year or as soon thereafter as practicable, cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants, which shall calculate the Gross Revenues, Net Revenues and Annual Debt Service for such fiscal year (as such terms are herein defined) and shall set forth a calculation to demonstrate whether the Port has satisfied the Rate Covenant. Each year promptly after such reports are prepared, the Authority shall furnish copies thereof to any Owners of Obligations who shall request the same. The Authority may furnish such copies by posting the audit report on a publicly available Internet website. All expenses of obtaining such reports shall constitute Operation and Maintenance Expenses of the Port Facilities.

***Pledge and Encumbrance of Revenues.*** The Authority covenants and represents that it has the lawful power to create liens on and to pledge the Net Revenues and the other items pledged hereunder to secure the payment of the Obligations and has lawfully exercised such power under the Constitution and laws of the State. The Authority further covenants and represents that, other than to the payment of Operation and Maintenance Expenses (including maintenance of the operating reserve) and the Obligations, the Gross Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the Authority, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Obligations.

### **Additional Obligations**

Pursuant to the Resolution, the Authority may issue additional Obligations, which may be secured by and made payable equally and ratably on a parity with all Outstanding First Lien Obligations, provided the Authority meets the following conditions:

(i) ***No Default.*** The Authority shall certify that upon the issuance of such Series of Obligations and the delivery of such Credit Agreement (and any related Reimbursement Agreement), the Authority will not be in default under any term or provision of the Master Resolution, any Obligations then Outstanding, any Supplemental Resolution pursuant to which any of such Outstanding Obligations were issued, or any Credit Agreement or Hedge Agreement;

(ii) ***Proper Fund Balances.*** The Authority shall certify that, upon the issuance of such Series of Obligations, the First Lien Debt Service Fund, the Second Lien Debt Service Fund, the Third Lien Debt Service Fund and any debt service funds established for any Inferior Lien Obligations will have the amounts required by the Master Resolution and any Supplemental Resolution to be on deposit therein, if any, and the First Lien Debt Service Reserve Fund, Second Lien Debt Service Reserve Fund, Third Lien Debt Service Reserve Fund, and any debt service reserve fund established for any Inferior Lien Obligations will contain the applicable Debt Service Reserve Fund Requirement, if any, or so much thereof as is required to be funded at such time;

(iii) ***Historical Coverage on Outstanding Obligations.*** The Authority shall certify that for any consecutive 12 months out of the most recent 18 months (for the purposes of this Section, such a period is an “Annual Period”) the Net Revenues of the Authority were equal to at least:

(A) 150% of the Annual Debt Service for such Annual Period on all Outstanding First Lien Obligations,

(B) 135% of the Annual Debt Service for such Annual Period on all Outstanding First Lien Obligations and Second Lien Obligations; and

(C) 125% of Annual Debt Service for such Annual Period on all Outstanding First Lien Obligations, Second Lien Obligations and Third Lien Obligations;

provided that the provisions described in (iii) above shall not apply to (a) the issuance of Obligations for the purpose of refunding Short Term Obligations or Balloon Obligations or Obligations issued under a commercial paper program or a direct purchase note program, or (b) the issuance of Completion Obligations in accordance with Section 3.5 of the Master Resolution; and provided further that additional coverage requirements for Inferior Lien Obligations may be added in a Supplemental Resolution;

(iv) ***Coverage for Additional Obligations.*** Either

(A) ***Historical Coverage.*** For any consecutive 12 months out of the most recent 18 months (for the purposes of this subsection, such a period is an “Annual Period”) that the Net Revenues of the Authority were equal to at least:

(I) 150% of the maximum Projected Annual Debt Service on all First Lien Obligations for all future Fiscal Years in which both the Additional Obligations to be issued or delivered and all Outstanding Obligations are due to remain Outstanding,

(II) 135% of the maximum Projected Annual Debt Service on all First Lien Obligations and Second Lien Obligations for all future Fiscal Years in which both the Additional Obligations to be issued or delivered and all Outstanding Obligations are due to remain Outstanding, and

(III) 125% of the maximum Projected Annual Debt Service on all First Lien Obligations, Second Lien Obligations, and Third Obligations for all future Fiscal Years in which both the Additional Obligations to be issued or delivered and all Outstanding Obligations are due to remain Outstanding; and

in making such calculation, Net Revenues may be adjusted to give effect to any increase of tariffs, rentals, fees, rates, tolls and charges placed into effect at least 60 days prior to the adoption of the Supplemental Resolution authorizing the Additional Obligations to the same extent as if such increase of tariffs, rentals, fees, rates, tolls and charges had been placed into effect prior to the commencement of the consecutive 12 month period that is the basis of the calculation; provided, however, that the result of the calculation utilizing such an adjustment must be certified by an independent certified public accountant or firm of independent certified public accountants using the Accounting Principles; or

(B) **Projected Coverage.** A Port Management Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues of the Authority for each of the three consecutive Fiscal Years beginning with the earlier of:

(I) the first Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Additional Obligations, based upon a certified written estimate of such completion date by the consulting engineer for such facility or facilities, or

(II) the first Fiscal Year in which the Authority will have scheduled payments of interest on or principal of the Additional Obligations to be issued for the payment of which provision has not been made as indicated in the report of such Port Management Consultant from proceeds of such Additional Obligations, investment income thereon or other appropriated sources (other than Net Revenues),

are equal to at least 150% of the maximum Projected Annual Debt Service on all First Lien Obligations, 135% of the maximum Projected Annual Debt Service on all First Lien Obligations and Second Lien Obligations, and 125% of the maximum Projected Annual Debt Service on all First Lien Obligations, Second Lien Obligations and Third Lien Obligations, in each case for all Fiscal Years described in subsection (iv)(A) above;

(C) **Refunding Obligations:** if the Additional Obligations are being issued for the purpose of refunding previously issued Obligations which are then Outstanding, none of the certifications described in (iii) or (iv)(A) or (B), above, are required (except in the event First Lien Obligations are issued to refund Obligations other than First Lien Obligations, Second Lien Obligations are issued to refund Third Lien Obligations or Inferior Lien Obligations, or Third Lien Obligations are issued to refund Inferior Lien Obligations), so long as the Projected Annual Debt Service in no Fiscal Year after the issuance of such Obligations (after taking into account the redemption or defeasance of the Obligations being refunded) will exceed the scheduled Annual Debt Service in the same Fiscal Year prior to the issuance of such Obligations;

provided, however, that the provisions in (iv), above, shall not apply to (a) the issuance of Obligations for the purpose of refunding Short Term Obligations or Balloon Obligations or Obligations issued under a commercial paper program or a direct purchase note program or (b) the issuance of Completion Obligations in accordance with Section 3.5 of the Master Resolution; and provided further that additional coverage requirements for Inferior Lien Obligations may be added in a Supplemental Resolution; and

(v) ***Supplemental Resolution Requirements.*** Provision is made in the Supplemental Resolution authorizing the Series of Obligations proposed to be issued for:

(A) additional payments into the First Lien Debt Service Fund, Second Lien Debt Service Fund, Third Lien Debt Service Fund or debt service funds established for Inferior Lien Obligations (as the case may be) sufficient to provide for any principal and interest requirements resulting from the issuance of the Obligations, including, in the event that interest on the additional series of Obligations is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the First Lien Debt Service Fund, Second Lien Debt Service Fund, Third Lien Debt Service Fund, or debt service funds established for Inferior Lien Obligations (as the case may be) of amounts fully sufficient to pay interest on such series of Obligations during the period specified in the Supplemental Resolution; and

(B) satisfaction of any First Lien Debt Service Reserve Fund Requirement, the Second Lien Debt Service Reserve Fund Requirement, the Third Lien Debt Service Reserve Fund Requirement, or debt service reserve fund requirements established for Inferior Lien Obligations (as the case may be) by not later than the date required by any Supplemental Resolution authorizing Obligations then Outstanding.

(vi) ***Special Provisions for Credit Agreements.*** The Authority may enter into Credit Agreements with respect to any Obligations if (i) prior to entering into such Credit Agreement, the Authority, to the extent required by law, shall cause the proceedings authorizing the Credit Agreement and any contracts or Reimbursement Agreements relating thereto to be submitted to and approved by the Attorney General and (ii) the conditions described in subsection (b) of Section 3.2 of the Master Resolution are satisfied for the Obligations to be incurred under the Credit Agreement. A Credit Provider may be entitled to be subrogated to the rights of the Owners of the Obligations to payments thereon made by advances under such Credit Agreement, and to the extent so provided in a Supplemental Resolution authorizing such Credit Agreement, the Authority's Credit Agreement Obligations may be secured by Net Revenues at the same lien priority as or a lien priority inferior to the Obligations to which the Credit Agreement relates.

### **Short-Term Obligations**

In the Master Resolution the Authority reserves the right to issue, from time to time, one or more series of Obligations as "Short-Term Obligations;" provided, however, that no such Short-Term Obligations (other than those issued under a Supplemental Resolution adopted concurrently with the Master Resolution) may be issued without satisfying the applicable provisions of Section 3.2 of the Master Resolution.

### **Completion Obligations**

In the Master Resolution the Authority reserves the right to issue (i) Obligations to pay the cost of completing any Financed Project (as defined in this Section below) for which Obligations have previously been issued to finance all or part of the Financed Project. Such Completion Obligations may be issued on parity with or subordinate to the Obligations that financed the costs of the Financed Project.

Prior to the issuance of any series of Completion Obligations the Authority must provide, in addition to satisfying all of the conditions of Section 3.2 of the Master Resolution (other than subsections 3.2(b)(iii) and (iv) of the Master Resolution, which shall not apply to Completion Obligations), the following documents:

(i) a certificate of the consulting engineer engaged by the Authority to design the Financed Project for which the Completion Obligations are to be issued stating that such Financed Project has not materially changed in scope since the issuance of the most recent series of Obligations for such purpose (except as permitted in the applicable Supplemental Resolution authorizing such Obligations) and setting forth the aggregate cost of the Financed Project which, in the opinion of such consulting engineer, has been or will be incurred; and

(ii) a certificate of the Executive Director or Chairman of the Port Commission (A) stating that all amounts allocated to pay costs of the Financed Project from the proceeds of the most recent series of Obligations issued in connection with the Financed Project for which the Completion Obligations are being issued were used or are still available within a construction fund therefor to be used to pay costs of such Financed Project; (B) containing a calculation of the amount by which the aggregate cost of that Financed Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Financed Project paid to such date plus the moneys available at such date within any construction fund established therefor or other like account applicable to the Financed Project plus any other moneys which the Authority has determined are available to pay such costs in any other fund; (C) certifying that, in the opinion of the Authority, the issuance of the Completion Obligations is necessary to provide funds for the completion of the Financed Project; and (D) certifying that at the time the most recent Series of Obligations were issued in connection with the Financed Project (other than pursuant to Section 3.5 of the Master Resolution), the Authority reasonably believed that such Series of Obligations would be sufficient, together with funds on hand dedicated to such purpose, to pay the costs of the Financed Project.

For purposes of the issuance of Completion Obligations, the term "Financed Project" shall mean any Project or portion thereof defined in a Supplemental Resolution authorizing the issuance of First Lien Obligations, Second Lien Obligations, Third Lien Obligations, or Inferior Lien Obligations for the purpose of financing such Project or portion thereof. Any such Supplemental Resolution may contain such further provisions as the Authority shall deem appropriate with regard to the use, completion, modification or abandonment of such Financed Project.

### **Inferior Lien Obligations**

The Authority reserves the right to issue or incur, bonds, notes, commercial paper program notes or other obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the First Lien Obligations, the Second Lien Obligations, and the Third Lien Obligations. Such Inferior Lien Obligations may be further secured by any other source of payment lawfully available for such purposes and may be issued under the Master Resolution and a Supplemental Resolution of the Authority or a separate master resolution pertaining to the Inferior Lien Obligations. The Authority may establish additional funds accounts, and sub accounts within the flow of funds to provide for the issuance or incurrence of Inferior Lien Obligations.

### **Capital Leases**

The Authority reserves the right to finance or acquire Port Facilities through capital leases or other similar lease/purchase arrangements in accordance with Section 3.7 of the Master Resolution. Unless such capital leases or lease purchase arrangements are entered into under a Supplemental Resolution designating the Authority's payment obligations thereunder as First Lien Obligations, Second Lien Obligations, Third Lien Obligations, or Inferior Lien Obligations, any payment obligations of the Authority under such capital leases or other similar lease/purchase arrangements will be payable from Net Revenues available after making all deposits required in connection with Outstanding First Lien Obligations, Second Lien Obligations, Third Lien Obligations, or Inferior Lien Obligations, under the Master Resolution and the Supplemental Resolution authorizing such Outstanding First Lien Obligations, Second Lien Obligations, Third Lien Obligations, or Inferior Lien Obligations, or other lawfully available funds of the Authority that are not Gross Revenues, including without limitations from revenues on deposit in the General Fund. Capital leases or other similar lease/purchase arrangements may be secured by the mortgage or encumbrance of the Port Facility being financed under such arrangement, subject to Section 6.3 of the Master Resolution, and a pledge of any other source of payment lawfully available for such purposes, subject to Section 6.6 of the Master Resolution. Capital leases or other similar lease/purchase arrangements may be entered into under the Master Resolution or a separate resolution of the Authority. If the payment obligations of the Authority under a capital lease

or other similar lease/purchase arrangement will be First Lien Obligations, Second Lien Obligations, Third Lien Obligations, or Inferior Lien Obligations, the Authority must comply with the provisions of Section 3.2 of the Master Resolution. The Authority reserves the right to establish such other funds and accounts as may be necessary in connection with such capital lease or other similar lease/purchase arrangements in a Supplemental Resolution; provided, however, that no such funds or accounts shall be earlier in priority than the First Lien Debt Service Fund and any First Lien Debt Service Reserve Fund.

### **Special Facilities Obligations**

The Authority reserves the right to issue, from time to time, in one or more series, Special Facilities Obligations as provided in the Master Resolution to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Obligations shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the Authority. In no event shall any Gross Revenues or any other amounts held in any other fund or account maintained by the Authority as security for the Obligations or for the construction, operation, maintenance or repair of Port Facilities be pledged to the payment of Special Facilities Obligations or to the payment of any expenses of maintenance and operation of Special Facilities.

### **Excluded Fee and Charge Revenue Obligations**

In the Master Resolution, the Authority reserves the right to issue or incur, for any lawful Authority purpose, bonds, notes, commercial paper program notes or other obligations secured in whole or in part by a lien on all or any designated portion of Excluded Fee and Charge Revenues. Such obligations may be further secured by any other source of payment lawfully available for such purposes, other than Gross Revenues (unless issued in accordance with other provisions of Article III of the Master Resolution). The Port Commission shall document Excluded Fee and Charge Revenues via resolution or order.

### **Springing First Lien Obligations**

The Authority may, without complying with the historical coverage requirements or the coverage requirements for Additional Obligations, issue and deliver to the State or any agency thereof or the United States or any agency thereof a Second Lien Obligation or a Third Lien Obligation that, upon the occurrence of an event of default arising from a bankruptcy related event, will be deemed to be and will automatically become a First Lien Obligation in accordance with the provisions of the Supplemental Resolution authorizing such Second Lien Obligation or Third Lien Obligation. Such provisions may include, without limitation, allowances for such Obligations to benefit from First Lien Debt Service Reserve Funds upon becoming First Lien Obligations.

### **Credit Agreements and Hedge Agreements**

In the Master Resolution, the Authority reserves the right to enter into Credit Agreements and Hedge Agreements with respect to First Lien Obligations. For additional information on Credit Agreements and Hedge Agreements, see “APPENDIX A – MASTER RESOLUTION.”

## **AMENDMENTS**

### **Amendments of the Master Resolution**

***Alteration of Rights and Duties.*** The rights, duties, and obligations of the Authority and the Owners of Outstanding Obligations are subject in all respects to all applicable federal and State laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

***Amendment of Resolution Without Consent.*** The Authority may, without the consent of or notice to any of the Owners of the Obligations, amend the Master Resolution for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in the Master Resolution or in the Obligations, or to comply with any applicable provision of law or regulation of State or federal agencies; provided, however, that such action shall not adversely affect the interests of the Owners of the Obligations;

(b) to change the terms or provisions of the Master Resolution to the extent necessary to prevent the interest on the Obligations (if they are issued as obligations the interest on which is excludable from gross income of the Owners thereof for federal income tax purposes) from being includable within the gross income of the Owners thereof for federal income tax purposes;

(c) to make any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating;

(d) to make such changes, modifications or amendments as may be necessary or desirable, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Obligations including, without limitation, supplementing the definition of "Annual Debt Service" to address the amortization of payments due and owing under a Credit Agreement;

(e) to modify any of the provisions of the Master Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Obligations Outstanding at the date of the adoption of such modification shall cease to be Outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Obligations issued after the date of the adoption of such modification;

(f) to grant to or confer upon the Owners of the Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Obligations;

(g) to add to the covenants and agreements of the Authority contained in the Master Resolution other covenants and agreements of, or conditions or restrictions upon, the Authority or to surrender or eliminate any right or power reserved to or conferred upon the Authority in the Master Resolution;

(h) to subject additional revenues to the lien and pledge of the Master Resolution;

(i) to provide for the issuance of Inferior Lien Obligations;

(j) to provide for the establishment of additional reserve funds; or

(k) to amend any provisions of the Master Resolution if, prior to execution of any such amendment, there shall be delivered to the Port an opinion of nationally recognized bond counsel to the effect that such amendment will not have a material adverse effect on the security, remedies or rights of the Owners.

***Amendments of Resolution Requiring Consent.*** The Authority may at any time adopt one or more resolutions amending, modifying, adding to or eliminating any of the provisions of the Master Resolution but, if such amendment is not of the character described in Section 8.2 of the Master Resolution (amendments without consent), only with the consent given in accordance with Section 8.4 of the Master Resolution of the Owner or Owners of not less than a majority in aggregate unpaid principal amount of the First Lien Obligations, Second Lien Obligations, and Third Lien Obligations then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in Section 8.3 of the Master Resolution shall permit (a) an extension of the maturity of the principal of or interest or other amounts owed on any Obligations issued thereunder, or (b) a reduction in the principal amount of any Obligations or the rate of interest or other amounts owed on any Obligations, or (c) a reduction in the aggregate principal amount of the Obligations required for consent to such amendment, unless the Owner or Owners of 100% in the aggregate principal amount of the First Lien Obligations, Second Lien Obligations, and Third Lien Obligations Outstanding and affected by such amendment shall consent to the changes described in clauses (a) through (c). Before the Authority shall adopt an amendment authorized by Section 8.3 of the Master Resolution, the Authority must receive an opinion from nationally recognized bond counsel to the effect that such amendment does

not affect the exclusion from gross income for federal income tax purposes of interest on outstanding tax-exempt obligations.

**Consent of Owners.** Any consent required by Section 8.3 of the Master Resolution by any Owners shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by such Owner or his duly authorized attorney. Proof of the execution of any such consent or of the writing appointing any such attorney and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes of the Master Resolution, and shall be conclusive in favor of the Authority with regard to any action taken, suffered or omitted to be taken by the Authority under such instrument, namely:

(a) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and

(b) the fact of the ownership by any person of any Obligations and the date of the ownership of the same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that at the date thereof such Obligations was registered in the name of such party in the Register.

In lieu of the foregoing the Authority may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to Section 8.3 of the Master Resolution shall be valid only if given following the giving of notice by or on behalf of the Authority requesting such consent and setting forth the substance of the amendment of the Master Resolution in respect of which such consent is sought and stating that copies thereof are available at the office of the Authority for inspection. Such notice shall be given by certified mail to each Registered Owner of the First Lien Obligations, Second Lien Obligations, Third Lien Obligations or Inferior Lien Obligations affected at the address shown on the Register.

**Revocation of Consent.** Any consent by any Owner of an Obligation pursuant to the provisions of Article VIII of the Master Resolution shall be irrevocable for a period of up to six (6) months, which period shall be specified in the request for consent, from the date of mailing of the notice provided for in Article VIII of the Master Resolution, and shall be conclusive and binding upon all future Owners of the same Obligations and any Obligations delivered on transfer thereof or in exchange for or replacement thereof during such period. Such consent may be revoked at any time after six (6) months from the date of the first mailing of such notice by the Owner who gave such consent or by a successor in title, by filing notice thereof with the Paying Agent/Registrar, but such revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Obligations Outstanding as in the Master Resolution defined have, prior to the attempted revocation, consented to and approved the amendment.

**Rights of Credit Provider or Credit Enhancer.** The rights, if any, of a Credit Provider, the provider of a municipal bond insurance policy or the provider of a DSRF Security to make any consents under Article VIII of the Master Resolution, except those under Sections 8.3(a), (b) and (c) of the Master Resolution, may be specified in the Supplemental Resolution authorizing the Credit Agreement, municipal bond insurance policy or DSRF Security.

**Counterparties to Hedge Agreements not Owners.** Unless otherwise provided in a Supplemental Resolution authorizing an Obligation, Counterparties to Hedge Agreements shall not be treated as Owners of the Obligations to which the Hedge Agreement relates for purposes of any voting rights to approve any amendments, unless such Counterparty is in fact the Owner of such Obligations.

## BONDHOLDER REMEDIES

The Master Resolution constitutes a contract between the Authority and the Owners of the Obligations from time to time Outstanding and the Master Resolution shall be and remain irrevocable until the Obligations, the interest thereon and all other amounts due thereunder shall be fully paid or discharged or provision therefor shall have been made. In the event of a default in the payment of the principal of or interest on any of the Obligations or a default in

the performance of any duty or covenant provided by law or in the Master Resolution, the Owner or Owners of any of the Obligations thereby affected may pursue all legal remedies afforded by the Constitution and laws of the State to compel the Authority to remedy such default and to prevent further default or defaults. As provided in Section 5007.006(i) of the Special District Local Laws Code, it is expressly provided that any Owner of any of the Obligations shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Port Commission, as applicable, to observe and perform any specific covenant, condition, duties or obligations required to be performed by the Port Commission under the Master Resolution, including the imposition of reasonably required rentals, tolls, fees, rates and charges for the use and services of the Port Facilities, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues in the manner required in the Master Resolution.

Upon the happening of any event of default, then any Owner or an authorized representative thereof, may proceed against the Authority for the purpose of protecting and enforcing the rights of the Owners under the Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained therein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners thereunder or any combination of such remedies. The Resolution does not provide for acceleration of maturity of the Bonds, foreclosure on Net Revenues or possession of Net Revenues by a trustee or agent for Owners of the Bonds or operation of the Authority by an independent third party in the event of default.

No lien has been placed on any of the physical properties comprising the Authority to secure the payment of or interest on the Bonds. Moreover, in the event of default, the Owners of the Bonds have no right or claim under the laws of the State against the Authority or any property of the Authority other than their right to receive payment from Net Revenues and certain Funds maintained pursuant to the Resolution. Owners of the Bonds have no right to demand payment of principal of or interest or premium, if any, on the Bonds from any funds raised or to be raised by taxation or from any funds on deposit in any of the special Funds described in the Resolution.

The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution or upon any other condition: accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the Authority has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or the Resolution. Accordingly, the only practical remedy in the event of a default may be a mandamus or mandatory injunction proceeding to compel the Authority to increase rates and charges reasonably required for the use and service of the Authority or perform its other obligations under the Resolution, including the deposit of the Gross Revenues into the special Funds provided in the Resolution and the application of such Gross Revenues and such special Funds in the manner required in the Resolution. Such remedy may need to be enforced on a periodic basis because maturity of the Bonds is not subject to acceleration. In addition, the Authority's ability to comply with the Rate Covenant will be limited by contractual and competitive supply and demand constraints.

The enforcement of a claim for payment of principal of or interest on the Bonds and the Authority's other obligations with respect to the Bonds are subject to the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors of political subdivisions generally.

#### **CERTAIN INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds involves investment risk and may not be suitable for all investors. Prospective purchasers of the Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The factors set forth below, among others, may affect the security for the Bonds. However, the following does not

purport to be an exhaustive listing of all considerations that may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of these considerations.

## **General**

The Bonds are payable from the Net Revenues, which are derived from the Gross Revenues of the Authority. Future revenues and expenses of the Authority are subject to conditions that may change to an extent that cannot be predicted or determined at this time. No representation can be made or assurance given that the Authority will realize revenues in amounts sufficient to generate Net Revenues sufficient to allow the Authority to make payments of principal, interest and premium, if any, on the Bonds. Future revenues and expenses of the Authority are subject to a variety of economic and other factors and conditions, including without limitation (a) market and regulatory changes affecting the maritime cargo transportation industry and industries using those services, (b) unforeseen decreases in demand for the Port Facilities occasioned by increased or more effective competition from other ports, or pipeline, rail, trucking, or other transportation alternatives, or downturns in local, regional, national and/or international economies, (c) unanticipated increases in operating or administrative expenses, including increases attributable to unstable conditions in the global economy or to enhanced security necessitated by general commercial instability attributable to the acts or threatened acts of terrorists or terrorist groups, (d) potential closure, or restrictions on the use of maritime transportation and the Port Facilities due to acts of war, terrorism, epidemic or disease in foreign countries or in domestic locations that utilize the Port Facilities, and potential limitations on the importation or exportation of goods to or from such countries or locations, (e) potential work stoppages due to labor disputes or other causes or labor shortages, (f) the impact of international political conditions on maritime trade, including threats arising from piracy and terrorism, (g) the impact of weather-related events such as hurricanes or tropical storms, and (h) other possible general, national or local political or economic conditions, including inflation, deflation, general cost increases, international trade embargoes, the imposition of tariffs or other trade barriers, international trade deficits or imbalances, deterioration of international trade relations, and calls for a global reserve currency as an alternative to the U.S. Dollar, among other factors. The occurrence of any one or more of the foregoing adverse events, including events not enumerated herein or in other sections of this Official Statement, may adversely affect the revenues of the Authority, which would have a detrimental impact on the Authority's ability to satisfy its debt service obligations on the Bonds.

## **Infectious Disease Outbreak – COVID-19 and Subsequent Impacts**

On April 10, 2023, the President of the United States signed into law a bill that ended the national emergency declaration resulting from COVID-19, a respiratory disease caused by a strain of coronavirus, and on May 5, 2023, the World Health Organization declared the outbreak of COVID-19 over as a global health emergency. The outbreak of COVID-19, characterized as a pandemic by the World Health Organization for over three years (the "Pandemic"), negatively affected travel, commerce, the global supply chain, and financial markets globally.

After an initial Pandemic-related downturn in overall cargo volumes in Fiscal Year 2020, the Authority experienced increases in cargo volumes and revenues in Fiscal Years 2021 and 2022. The Authority is no longer experiencing the disruptions to either global supply chains or local conditions, including the increased container dwell times and local labor availability issues, that were prevalent during the course of the Pandemic. See "- Workforce Availability" herein. With the end of the effects of the Pandemic, there is no guarantee that increased volumes and revenues attributable to it will continue. See "THE AUTHORITY" and "APPENDIX C – Audited Financial Statements of the Authority" for additional information regarding the revenues and operations of the Authority.

In addition to the impacts of the Pandemic as described above, news reports have suggested longer-term effects on international commerce may emerge in the coming years, including changes in current global practices for obtaining parts and materials and manufacturing and distributing goods; other similar impacts may result from related developments in industrial and trade policies. See "- United States Trade Policy" herein. There can be no assurance that such matters will not affect the Authority's Net Revenues in future years. Any assessment of the Pandemic is subject to change based on ongoing and future events, including, but not limited to, new disease outbreaks and governmental responses to the Pandemic. The ultimate impacts of the Pandemic on the Authority may differ significantly from current forecasts.

## **Workforce Availability**

Reductions in workforce availability, including Authority employees, and labor or members of organized labor to operate Port Facilities or vessels (operated by third parties), or an inability to develop or attract the workforce required to construct planned Port Facilities, could adversely affect the revenues of the Authority.

The Pandemic negatively affected nationwide labor availability, including the availability of employees and third-party labor to operate Port Facilities, as well as local ancillary services such as truck transportation. It is possible that such conditions could reemerge in the future.

Work stoppages by members of various local chapters of the International Longshoremen's Association ("ILA"), which provide services at Port Facilities, may result in labor-related work stoppages; however, since the Authority is not a party to the relevant collective-bargaining agreements, such work stoppages may be beyond the Authority's direct control. The Authority has not experienced a labor-related work stoppage at its facilities since 1986. See "THE AUTHORITY – Labor Relations."

## **Competition From Other Ports**

The Authority competes for market share with other ports along the United States Gulf Coast, as well as with ports in other parts of the United States and in Mexico. Factors such as costs, service reliability and efficiency, local customer base, access to markets, available distribution and transload facilities in the region, transit time, marine and intermodal facilities, and the ability to accommodate larger ships affect shipper and carrier decisions about which port(s) to use. Additionally, regional population size and trends, and concomitant proximity and access to the region's consumer base, drive import shipper gateway selection, while the availability of raw materials and infrastructure, as well as ease of access to international markets, drive export shipper port choices. Carriers also may form alliances and vessel sharing agreements that affect their decisions on port locations. These factors may be affected by developments outside the Authority's control. Action by other ports to improve or expand their marine facilities, or intermodal service improvements at other ports on the Gulf Coast or elsewhere in North America could impact the Authority's market share. The revenues of the Authority may be adversely impacted by increased competition, improvements or additions to marine or supporting facilities at other ports, and pricing decisions by other port facilities; the Authority cannot predict the scope of any such impact at this time.

There is significant competition for container traffic among North American ports. Success depends largely on the size of the regional market and the efficiency of the port and inland transportation systems for non-local destinations. According to the American Association of Port Authorities, for the calendar year ended December 31, 2022, the top ten container ports in the nation in terms of container cargo were as follows: (1) Port of Los Angeles (6 million TEUs); (2) Port of New York and New Jersey (6 million TEUs); (3) Port of Long Beach (5.2 million TEUs); (4) Georgia Ports Authority (4.1 million TEUs); (5) the Authority (3 million TEUs); (6) Port of Virginia (2.6 million TEUs); (7) South Carolina Ports (2 million TEUs); (8) The Northwest Seaport Alliance (Ports of Seattle and Tacoma) (1.6 million TEUs); (9) Port of Oakland (1.6 million TEUs); and (10) Port Miami (0.9 million TEUs).

## **General Shipping Industry Considerations**

The Authority's revenues depend to a very large extent on shipping activity and particularly the container shipping industry. The shipping industry as a whole and the level of shipping traffic activity at the Authority specifically are dependent upon a variety of factors, including: (a) the available cargo base; (b) local, regional, national, and international economic and trade conditions; (c) international political conditions and hostilities; (d) cargo security concerns; (e) shipping industry economics, including the cost and availability of labor, fuel, vessels, containers, container chassis, and insurance; (f) competition among shipping companies and ports, including with respect to timing, routes, and pricing; (g) governmental regulation, including security regulations and taxes imposed on ships and cargo, as well as maintenance and environmental requirements; and (h) demand for shipments.

## **Capacity and Supply and Demand Balance in the Container Shipping Industry**

Over time the financial health of the container shipping industry has experienced significant volatility, and substantial stress has been placed on carriers because of a number of factors, including, among other things, global supply and demand imbalances resulting in uneconomic freight rates, and most recently the global Pandemic.

In response to these industry challenges and the potential of future global supply chain disruptions, the container shipping industry has seen ocean carriers investing in “Ultra Large Container Vessels,” increasing their overall global capacity and fleet size, and expanding horizontally into the air freight, marine terminal, warehousing, and final-mile delivery businesses.

In 2014, Maersk and Mediterranean Shipping Company, the world’s two largest shipping lines and leaders in new vessel deliveries, formed the 2M Alliance, a vessel-sharing alliance agreement between the two companies. However, in January 2023, the companies announced the planned discontinuance of the 2M Alliance by January 2025. The discontinuance of the 2M Alliance may lead to changes to the two remaining major alliances, the OCEAN Alliance and the Transport High Efficiency Alliance (“THE Alliance”). In addition, these developments may further prompt industry capacity shifts and global supply and demand imbalances, leading to uneconomic freight rates for carriers.

With major container shipping lines having sizeable new vessel orderbooks and with the breakup of the 2M Alliance, changes in the competitive dynamics on all the major trade-lanes may be expected. This may have implications for all shipping lines over the next one to two years, and may, in turn, impact container traffic at the Authority and Net Revenues; the Authority cannot predict the scope of any such impact at this time.

### **Expiration or Termination of Material Contracts**

Although the Authority has no reason to believe that current customers, tenants, or other users of Port Facilities will prematurely terminate existing marine terminal service agreements, leases, or similar agreements entered into with the Authority, or choose not to renew such agreements at their stated expiration dates, there can be no assurance that such sources of revenues to the Authority currently supported by or otherwise derived from such agreements will be available in future years, and a decrease or loss of such revenues could adversely impact the ability of the Authority to pay its debt service obligations on the Bonds. See “THE AUTHORITY – Authority Operations.”

### **Concentration of Customer Base**

The majority of the Authority’s revenues are derived from throughput, dockage, wharfage, and related terminal service fees, and ground lease payments, which are in large part a function of regional trends in import and export cargo demand. However, the Authority’s customer base is also heavily concentrated among its major vessel lines paying these charges. The Authority’s top ten customers accounted for approximately 76% of its total operating revenues in 2022, and 64% of those revenues in 2021. The largest customer accounted for approximately 17% of the Authority’s total operating revenues in 2022 and 13% of those revenues in 2021. See “THE AUTHORITY – Table 8 – Top Ten Authority Customers (Ten-Year Comparison).”

Adverse developments in major customers’ businesses or general economic conditions or changes in the regulatory environment affecting the Authority’s major customers could result in changes in the makeup of this customer group or, additionally, reduce Net Revenues and adversely affect the Authority’s ability to satisfy the debt service obligations on the Bonds.

### **Concentration of Revenues from Business Lines**

In recent years, revenues generated from the Authority’s container business lines have contributed more than 70% of its total operating revenues, and the trade balance of import loaded container units to export loaded units has hovered near 50:50. For Fiscal Years 2022 and 2021, container revenues contributed approximately 83% and 82% of the Authority’s total operating revenues, respectively. Increased imports associated with rising consumer demand and inventory replenishment in Fiscal Year 2021 following the initial impacts of the Pandemic caused the balance of

import to export of loaded containers to shift more heavily to import loads. However, the trade balance reverted to approximately 50:50 in Fiscal Year 2022.

Separately, Turning Basin terminals activity generated 12% of Authority operating revenues in 2022 and 11% of such revenues in Fiscal Year 2021. See “THE AUTHORITY– Table 6 – Operating Revenues by Type.”

### **Marine Terminal Services Agreements**

The Authority has entered into Marine Terminal Services Agreements (“MTSAs”) with eight container carriers, all of which are among its top ten customers. See “THE AUTHORITY – Marine Terminal Services Agreements – Top Ten Customers” for additional information. MTSAs include provisions that limit new tariffs applicable to these carriers to any new charges required or made necessary by law or circumstances reasonably beyond the control of the Authority and to changes in its current port security fee. In addition, the MTSAs limit annual tariff increases to the increase in the Consumer Price Index. See “THE AUTHORITY – Authority Tariffs and Marine Terminal Services Agreements” for additional information.

### **Changing Demand for Petrochemical Products and Consumer Goods**

Economic conditions, changing consumer preferences, possible decreases in plastic use in the U.S., environmental regulations, and multiple other political and regulatory issues could impact the future volume of products moving through Authority terminals, including exported petrochemical products and imported consumer goods.

### **Customer Bankruptcy**

In general, risks associated with bankruptcy of a customer of the Authority include risks of substantial delay in payment or of non-payment, and the risk that the Authority may not be able to enforce any of its remedies under the agreements with a bankrupt customer.

In the event of a customer bankruptcy proceeding, the debtor customer may not, absent a court order, make any payments to the Authority on account of services provided prior to the bankruptcy. Thus, the Authority’s stream of payments from a debtor customer could be interrupted to the extent of pre-petition services, including accrued tariffs and rents. In addition, payments made by a customer within 90 days of filing a bankruptcy case could be deemed to be an “avoidable preference” under the Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy.

A customer that has an executory contract with the Authority and seeks protection under the U.S. bankruptcy laws must assume or reject its executory contracts prior to the confirmation of a plan of reorganization. In the event of assumption and/or assignment of any agreement to a third party, the customer would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable preferential assignment agreement, lease or other agreements.

With respect to a customer in bankruptcy proceedings in a foreign country, the Authority is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

### **Changes in Law and Regulation**

The Authority is subject to the other general requirements of federal and state laws, regulations, and permitting. Except as otherwise disclosed in this Official Statement, to the knowledge of the Authority, no legal or regulatory action has been taken or is threatened and no legal or regulatory approval is required or pending that would materially affect the Net Revenues or the ability of the Authority to complete any planned construction program. Nevertheless, federal or state adoption and enforcement of unforeseen laws or regulations could result in a reduction in Net Revenues, or the loss of the Authority’s ability to operate all or a portion of the Port Facilities, and the likelihood

of such action cannot be predicted. Any such developments could adversely impact the Authority's ability to satisfy its debt service obligations on the Bonds and other Outstanding Obligations.

### **Federal Shipping Law and the Federal Maritime Commission**

Operations between the United States and non-U.S. ports are subject to the provisions of the U.S. Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998 (the "Shipping Act"), which is administered by the Federal Maritime Commission (the "FMC"). The Shipping Act regulates both common carriers in ocean transportation and marine terminal operators ("MTOs") serving those carriers and certain other water carriers. In summary, the Shipping Act requires MTOs such as the Authority to provide for just and reasonable regulations and practices, bars them from undue or unreasonable preferences, prejudices, advantages, and disadvantages, and prohibits their unreasonable refusal to deal or negotiate with customers.

After a two-year investigation prompted by concerns regarding excessive or unjustified detention and demurrage charges voiced nationally by certain industry participants, the FMC issued new guidance in 2020 regarding its assessment of the reasonableness of detention and demurrage charges and practices of ocean carriers and MTOs. This guidance implemented a regulatory standard (the "Incentive Principle") that these charges and related practices should function to incentivize cargo flow. Detention generally refers to charges levied for failing to return equipment to a designated terminal within the provided free time, while demurrage generally means the charges levied, after the expiration of free time, for cargo located at a terminal prior to loading or after vessel discharge.

Last year, the Ocean Shipping Reform Act of 2022 (the "OSRA") was signed into law in response to some of these previous concerns, as well as container terminal congestion following the onset of the Pandemic, and claims that ocean carriers discriminated against export cargoes. Among other things, this legislation has shifted the burden of establishing the reasonableness of demurrage and detention practices onto carriers and MTOs, required further rulemaking activities with regard to demurrage and detention and other matters, and provided for enhanced information disclosure, data collection, and record keeping.

Based on the Incentive Principle, in December 2022, the FMC ordered a carrier to cease imposing per diem detention charges for those days when the carrier's equipment could not be returned to the terminal, (e.g. weekends and holidays, etc.). Although the ruling did not address demurrage practices by MTOs, it has been interpreted by major carriers as prohibiting the imposition by MTOs of any per diem charges (including demurrage) for terminal closure days. In addition, some FMC representatives have directly stated that imposition of demurrage charges when containers cannot be retrieved from the terminal are subject to the same prohibition. The FMC is also expected to enact more specific rulemaking pursuant to direction in the OSRA.

Although the Authority has no reason to believe that its detention practices are a material source of Authority customer or user complaints, in response to the above-described developments, the Authority has instituted updated demurrage practices and charges. There can be no assurance that the above-described matters will not further affect the Authority's practices and costs in the future.

### **State Legislation Related to Board of Pilot Commissioners and Vessel Sizes**

The Board of Pilot Commissioners for Harris County Ports (the "Board") oversees the licensing and activities of state-licensed maritime pilots who assist with the guidance of ships transiting the Channel. During the 2019 legislative session, the Texas Legislature made several modifications to the governance and operations of the Board. The Legislature moved the governance of the organization to a new board composed of nine appointed pilot commissioners, with two members appointed by the City, two members appointed by the County, one member appointed by the City of Pasadena, one member appointed by the Harris County Mayors' and Councils' Association, and two members appointed by the Governor. The Board was previously governed by the Port Commission.

In 2019, the Texas Legislature also adopted legislation that sets the maximum vessel length for certain segments of the Houston Ship Channel at 1,100 feet, unless – following the recommendation of the Houston Pilots – the Board determines that two-way traffic can be conducted efficiently with vessels of a longer length and adopts rules relating to the same. Rule changes approved by the Board since that time permit vessels of up to 1,160 feet in length

overall to transit the Channel to Bayport Terminal and vessels from 1,000 to 1,158 feet in length overall to transit the Channel to Barbours Cut Terminal, and meet all vessels currently permitted on the Channel, subject to existing navigation safety guidelines.

### **United States Trade Policy**

The North American Free Trade Agreement (“NAFTA”) went into effect in January 1994, and generally had a positive impact on cross-border trade. The United States-Mexico-Canada Agreement (the “USMCA”) succeeded NAFTA in July 2020. The Authority has not experienced a negative impact on Authority operations or Net Revenues from the USMCA.

In 2018, Section 232 Tariffs on steel and aluminum and Section 301 Tariffs on certain Chinese products were introduced, and the scope and levels of these tariffs have been adjusted many times since their initial imposition. The Authority believes that these tariffs and associated retaliatory tariffs by affected countries may have had some negative impact on volumes at the Authority, and particularly steel imports, among the other factors influencing trade volumes since that time.

As of the date of this Official Statement, there is insufficient information available about potential Federal actions to estimate the impacts, if any, of these actions on the operations of the Authority or Authority customers. However, the further imposition of tariffs could negatively impact cross-border trade, the use of the Port Facilities, and the revenues of the Authority.

### **Air Quality Standards**

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 (“CAA”) Amendments of 1990, the eight county Houston Galveston-Brazoria Area (the “HGB Area”) has been designated by the EPA as a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the more rigorous, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remained subject to CAA nonattainment requirements.

In a final rule that became effective on March 16, 2020, the EPA determined that the HGB Area had met the CAA criteria for redesignation to attainment status under the 1997 Ozone Standards and EPA terminated the obligations that had applied in the HGB Area under the 1997 Ozone Standards. However, the HGB Area remains designated as a nonattainment area under the 2008 and 2015 Ozone Standards, and the TCEQ remains obligated to demonstrate attainment with the more-stringent 2008 and 2015 Ozone Standards under the CAA.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior “serious” classification, effective November 7, 2022. The State will be required to submit State Implementation Plan (“SIP”) revisions to the EPA no later than 18 months after the November 7, 2022 effective date of the final rule reclassifying the HGB Area as a “severe” nonattainment area, and any new emissions controls that the TCEQ determines are needed for attainment must be implemented within 36 months of November 7, 2022. The HGB Area could be subject to more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior “marginal” classification, effective November 7, 2022. For purposes of the

2015 Ozone Standard, the HGB Area consists of six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a SIP for the HGB Area that sets emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can impact new and expanded industrial activity due to the additional permitting/regulatory constraints that accompany this designation. It is possible that additional controls will be necessary to allow the HGB Area to attain the ozone standards by the EPA's attainment deadlines. These additional controls could create impediments and costs for new industrial development in the HGB Area.

Other constraints on economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in other limitations on the actions of businesses, governmental entities and private citizens. 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 add conditions and costs for activities involving continued growth and development in the HGB Area.

In the course of planning for Project 11, the Authority learned of community concerns with the potential air-quality impacts of the work on Project 11. In October 2021, the Port Commission awarded the first Project 11 dredging contract for the construction of Segment 1A of Project 11 and associated improvements. In awarding the contract, the Port Commission chose a contracting option that required the contractor to move a lower emissions dredge to the project site and retrofit an older dredge and other equipment with a technology known as selective catalytic reduction to reduce nitrogen oxide emissions. The selection of this contracting method was intended to address community concerns and reduce the impact of the project on the environment. See "THE AUTHORITY – Sustainability" for a discussion of the Authority's sustainability efforts.

Recently, some community members have raised concerns regarding potential environmental impacts related to air quality and dredging in connection with the work expected to be performed by the USACE on upstream segments of Project 11. The Authority continues to work with the USACE and community members to address these matters; however, no assurance can be given that these matters will not adversely affect the progress of Project 11 or Authority expenses in connection with its responsibilities as the non-federal sponsor of the Houston Ship Channel.

## **Wetlands**

The Authority's ability to develop, expand, or otherwise improve Port Facilities that comprise or are located in, at, upon, or adjacent to wetlands may be limited by federal law. Construction projects affecting wetlands (and waterways), such as new dock construction and channel slip dredging, cannot proceed without a permit issued by the USACE. In some cases, issuance of a construction permit is dependent on satisfying mitigation requirements. The permitting process and cost of mitigation could result in or contribute to a decision not to construct one or more of the projects described in this Official Statement, which would have an adverse impact on the Authority's ability to satisfy its debt service obligations on the Bonds.

In May 2023 the U.S. Supreme Court issued its opinion in *Sackett v. Environmental Protection Agency et al.*, in which it held that the Clean Water Act extends only to those wetlands that are "indistinguishable" from waters of the United States ("WOTUS"), i.e. when a continuous surface connection between them makes it "difficult to determine where the 'water' ends and the 'wetland' begins." Following this decision, the Port Authority expects to review the scope of WOTUS and EPA and USACE wetlands jurisdiction as part of its analysis of future improvements to the Port Facilities.

## **Climate Change and Sea Level Rise**

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent and more intense, as a result of increasing global temperatures attributable to atmospheric pollution. Port operations and infrastructure are vulnerable to effects of sea level rise, extreme climate conditions, and extreme weather events, and significant capital investments may need to be made to address these vulnerabilities. The Authority expects to be able to continue to manage its operations and construction activities to minimize the future effects of these occurrences and that it has the necessary capacity to adapt to these occurrences. However, no assurance can be given that the effects of sea level rise will not adversely affect the revenues of the Authority.

## **Other Environmental and Related Risks**

Any owner or operator of real property may be adversely impacted by legislative, regulatory, administrative, and enforcement action involving environmental laws and regulations. In addition, groups opposing industrial developments and infrastructure projects may seek to delay or prevent the construction of such developments or projects based on claims brought under environmental laws and regulations. In the past, such claims or lawsuits have targeted industrial developments of the types being developed by companies operating in the greater Port of Houston complex. Furthermore, users of the Port Facilities may transport hazardous materials through the Port Facilities, the handling of which may pose environmental threats. In recent years environmental regulations have placed greater scrutiny on all owners of property and, in future years, such regulations could be modified to include types of materials not currently identified as hazardous, all of which could result in additional expense to the Authority.

Operation of the Port Facilities is also subject to federal, state and local laws and regulations governing, among other things, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials as well as laws relating to occupational health and safety.

The Authority intends that Port Facilities comply in all material respects with applicable environmental and health and safety laws and regulations, many of which impose substantial fines and criminal sanctions for violations. However, the ownership and operation of Port Facilities entails risks in these areas, and there can be no assurance that the Authority will not incur material costs or liabilities in this regard. In addition, potentially significant expenditures could be required to comply with evolving environmental, health and safety laws, regulations and requirements that may be adopted or imposed in the future. The Authority may be forced to expend significant resources to comply with state and federal requirements, which expenses, to the extent that they exceed budgeted amounts, would decrease Net Revenues and have an adverse impact on the Authority's ability to satisfy its debt service obligations on the Bonds or other outstanding Obligations.

## **Prolonged Channel Closure**

A prolonged closure of the Channel could reduce the amount of Net Revenues, which could have an adverse impact on the Authority's ability to meet its debt service obligations on the Bonds. Such a closure could occur as a result of an oil spill, chemical spill, or spill of other harmful or hazardous materials in the Channel, a ship collision, a weather-related event or other channel obstruction. The U.S. Coast Guard makes the determinations on Channel closures and re-openings.

## **Risk of Terrorist Attacks**

The Maritime Transportation Security Act was signed into law on November 25, 2002, requiring sectors of the maritime industry to implement measures designed to protect ports and waterways of the United States from terrorist attacks. The act requires interagency teamwork within the Department of Homeland Security, including the U.S. Coast Guard, the Transportation Security Administration, the Bureau of Customs and Border Protection, and the Department of Transportation's Maritime Administration to develop security regulations. The security regulations focus on those sectors of the maritime industry that have a higher risk of involvement in a transportation security incident, including terminals, vessels, barges, offshore oil and gas platforms, and port facilities that handle certain kinds of dangerous cargo or service the vessels included in this list. These regulations require, among other things,

that port and vessel owners assess their vulnerabilities and then develop plans that may include implementing vehicle, container and baggage screening procedures, accessing control measures and/or installing surveillance equipment.

The Authority has procedures in place for compliance with the Maritime Transportation Security Act, and has maintained and continually improves upon its working relationship with all federal, state and local law enforcement and regulatory agencies, as well as the numerous private industry security forces throughout the Authority's jurisdiction. The Authority was also the first port authority to receive the international security designation ISO 28000.

National and local law enforcement officials have warned that terrorist attacks upon key infrastructure and other targets in the United States are possible. The Authority and the surrounding waterways are visible infrastructure assets that could be the subject of future attempted terrorist attacks. A terrorist attack on the Authority, the greater Port of Houston, or the surrounding waterways could have a material adverse effect on Net Revenues needed to repay the Bonds or other Outstanding Obligations.

### **Risk of Loss, Damage or Destruction**

The Authority has covenanted in the Resolution that it will cause the Port Facilities at all times to be insured against such risks as are customarily insured against by political subdivisions of the State operating similar properties, to the extent such insurance is available at a reasonable cost. The Authority has further covenanted that it shall apply the proceeds of such insurance to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Port Facilities or shall be used to redeem obligations, subject to the limitations described in the Master Resolution. There can be no assurance that the proceeds of insurance or other sources of funds available to the Authority for purposes of replacing, repairing, rebuilding, or restoring all or any portion of the Port Facilities that may be damaged or destroyed will be sufficient for such replacement, repair, rebuilding or restoration, nor can there be any assurance that such proceeds or other sources of funds will be equal to or greater than the outstanding principal amount of the Bonds and other First Lien Obligations so as to allow the Authority to retire the outstanding principal amount of, interest and premium, if any, on the Bonds and other First Lien Obligations in the event that the Authority is unable to replace, repair, rebuild or restore the Port Facilities in the event of loss, damage or destruction of such facilities.

### **Information Technology/Cybersecurity**

The Authority depends upon information and computing technology to conduct general business operations. Computer networks and data transmission and collection are vital to the safe and efficient operation of the Authority. The Authority collects and stores sensitive data, including intellectual property, security information, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers, partners and employees. The secure processing, maintenance and transmission of this information is critical to industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions that could result in adverse consequences to the Authority's information and computing technology, thereby requiring a response action to mitigate the consequences. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Cybersecurity incidents could result from unintentional incidents, or from deliberate attacks by entities or individuals attempting to gain access to the Authority's computing technology for the purposes of misappropriating assets or information, damaging the Authority's reputation, or causing operational disruption or physical harm and damage. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of commerce, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, or disruptions in operations and the services provided, which could ultimately adversely affect the Authority's reputation and revenues.

To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Authority's Technology Division invests in multiple forms of cybersecurity and operational safeguards. While the Authority's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will prevent all cybersecurity threats and attacks. Furthermore, no assurance can be given that such measures will fully prevent potential business continuity or cybersecurity risks arising from incidents wholly or partially beyond the Authority's control, including electrical telecommunications outages, natural disasters,

or cyber-attacks, or larger scale political events, including terrorist attacks. Any such occurrence could lead to decreased financial performance that insurance may not cover and may require the Authority to expend significant resources to correct the failure or disruption.

In August 2021, the Authority successfully defended itself against a cybersecurity attack. The Authority followed its Facilities Security Plan in doing so, as guided under the Maritime Transportation Security Act, and no operational data or systems were impacted as a result.

### **Risk of Weather-Related Catastrophe**

The Port Facilities are located on the Gulf Coast of the United States. The Gulf Coast is an area that has in the past been periodically susceptible to damaging storms. The risk of hurricanes, tropical storms, winter storms or other major weather events affecting the Port Facilities and ship channels and interrupting the operations of the Authority is a risk over which the Authority has little or no control. To the extent that the Port Facilities are damaged, or the Authority's operations are interrupted for any material period of time or cargo is directed to other ports due to hurricane or other weather-related catastrophe, such damage or interruption could reduce the amount of Net Revenues available to the Authority, which would have an adverse impact on the Authority's ability to satisfy its debt service obligations on the Bonds.

### **PENDING LITIGATION AND CLAIMS**

The following matters are considered by the Authority to be material for purposes of this Official Statement. Uncertainties are inherent in the final outcome of these matters, and it is presently impossible to determine their 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 has been named as defendant in a state district court action brought by Robert Jones. Mr. Jones alleges the Authority engaged in disability harassment, discrimination, and retaliation. Mr. Jones further alleges the Authority wrongfully failed to promote him and wrongfully terminated his employment in retaliation for making internal allegations about practices he believes to be unlawful and reporting information about the removal of emergency equipment to the Texas Department of Insurance and Texas Department of State Health Services. Mr. Jones seeks a determination regarding an alleged violation of the Texas Whistleblower Act ("Whistleblower Act"), and damages in an unspecified amount and/or equitable relief authorized under the Whistleblower Act, including lost wages and benefits from termination until trial, court costs, reasonable attorneys' and expert fees, reinstatement or front pay, and compensatory damages for future pecuniary losses, and past and future emotional pain, suffering, inconvenience, mental anguish, loss of enjoyment of life, and other past and future nonpecuniary losses. The Authority has filed an answer disputing the claims. The action is set for trial for the two-week period beginning November 6, 2023. The Authority intends to vigorously contest this action; however, it has not reached any judgment as to the likely outcomes or the ranges of potential loss with respect thereto.

The Authority is defending and indemnifying named Authority employee defendants in two actions brought by Stan Kozlowski, Jason Hall, Mike Stallings, Jason Roberts, Justin Meador, and Kyle Jordan (collectively, "Plaintiffs"). All of Plaintiffs' claims were originally brought in federal court, but Plaintiffs later abandoned some of the claims and refiled the abandoned claims in State district court. In the federal action, Plaintiffs allege that they were unlawfully suspended and terminated from positions at the Authority in violation of Plaintiffs' rights to free speech and free association under 42 U.S.C. §1983. Plaintiffs seek compensatory damages in an unspecified amount for past and future lost wages, reputational harm, mental and emotional distress, anxiety, and all other general damages, plus additional amounts for attorneys' fees, expert witness fees, interest, costs, punitive damages, and all other relief to which they may be entitled. On June 22, 2022, the federal trial court granted summary judgment and issued a final judgment dismissing all claims against the Authority employee defendants. Plaintiffs have filed an appeal asking the United States Court of Appeals for the Fifth Circuit to reverse the trial court's final judgment and order granting summary judgment. The parties have filed appellate briefs and oral arguments were heard on May 3, 2023.

In the State action, Plaintiffs allege that their suspensions and terminations were also in violation of Texas Government Code §§614.022 and 614.023. Plaintiffs seek declaratory judgment regarding the alleged violations of law, and injunctive relief undoing the alleged adverse actions taken against Plaintiffs and enjoining the Authority employee defendants from taking further adverse employment action against Plaintiffs. In addition, Plaintiffs seek amounts for attorneys' fees, expert witness fees, interest, costs, and all other relief to which they may be entitled. A non-jury trial in the state action took place from March 7-8, 2023, and on May 23, 2023, the state trial court issued its findings of fact and conclusions of law and its final judgment that the Plaintiffs take nothing and dismissed their claims against the Authority employee defendants.

The Authority has been named as defendant in a federal district court action brought by a dredging company, Diamond Services Corporation ("Diamond"). Diamond has filed the action to challenge the federal government's approval of a dredging vessel, the DB Avalon, utilized by its competitor, Curtin Maritime Corp. ("Curtin"). Diamond alleges the approval of the DB Avalon for use in the United States violates 46 U.S.C. §12101, 46 U.S.C. §12112, 46 U.S.C. §55109, 46 C.F.R. §67.97, and 46 C.F.R. §67.177. Diamond further alleges the Authority awarded a project to Curtin for the expansion of the Houston Ship Channel for which Curtin intends to use the DB Avalon. Diamond seeks to enjoin the Authority from awarding any funds or work to Curtin for the use of the DB Avalon. The Authority filed an answer disputing the claims and moved to dismiss the action. On March 6, 2023, the federal Magistrate Judge in this matter issued his Memorandum and Recommendation, recommending that the District Judge grant various motions filed by the defendants, and on March 22, 2023, the District Judge adopted it, resulting in the dismissal of the case. Diamond has subsequently filed its notice of appeal with the United States Court of Appeals for the Fifth Circuit. The Authority intends to vigorously contest this action; however, it has not reached any judgment as to the likely outcomes or the ranges of potential loss with respect thereto.

## **THE AUTHORITY**

### **General**

The Authority is a navigation district and independent political subdivision of the State, 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. Originally constituted in 1911 as the Harris County Houston Ship Channel Navigation District to sponsor deepening and widening of the Houston Ship Channel, the Authority began operating terminals along the Channel in 1922.

The Authority by statute operates independently of other governmental entities, except that the County 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 the Port Commission, which is composed of seven commissioners. Two members of the Port Commission are appointed by the County Judge and County Commissioners Court; two by the Mayor and City Council of the City; 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. Port Commissioners serve two-year terms without pay and may serve a maximum of 12 years.

The Port of Houston (which includes facilities not owned by the Authority) has been a deep draft port since 1914. The Channel, the center of that complex, extends 52 miles inland and links the City with the Gulf of Mexico. The greater Port of Houston consists not only of the Authority's public terminals and wharves, but also includes more than 200 privately-owned wharves, docks and other facilities. The greater Port of Houston is ranked first in the nation for total tonnage and for foreign waterborne tonnage. A 2022 study by Martin Associates reported that greater Port of Houston-related businesses support the creation of approximately 1.54 million jobs throughout the State.

## **Business of the Authority**

The Authority owns a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, automobiles, grain, coal, petroleum 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 Railroad Association (“PTRA”), licenses pipeline crossings of its property, and owns and maintains areas for depositing dredged materials.

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 greater Port of Houston 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 fees it may collect from private wharves located in the Bayport Industrial District in connection with their location on the Bayport Channel and Bayport Turning Basin. See “—Table 1 – Physical Characteristics of the Port Facilities of the Authority.”

In addition, the Authority is the administrator of Foreign Trade Zone (“FTZ”) #84 (“FTZ84”), which includes many privately-owned and Authority-owned sites in the region. An FTZ is a designated area in which foreign and domestic merchandise is generally considered by the United States government as being outside United States Customs territory. Merchandise may be brought into an FTZ without a formal customs entry, import quotas and most other import restrictions. Duties and excise taxes are not assessed until the merchandise enters United States commerce, providing a competitive advantage to facilities within an FTZ. As one of the largest FTZs in the United States, FTZ84 ranked first in the United States for total merchandise received. In 2021, the general-purpose sites of FTZ84 collectively served hundreds of businesses, employed more than 12,000 individuals, was responsible for approximately \$10 billion in exports, and accounted for nearly \$50 billion of merchandise received from facilities operating under FTZ procedures.

As of December 31, 2022, the Authority had 740 regular employees. During Fiscal Year 2022, the Authority also contracted for casual labor from longshoremen union halls, equating to 624 full-time equivalent employees working 40 hours a week for 52 weeks per year.

## **Strategic Planning**

With the objective of creating alignment among the Port Commission, management, and staff, around a clear vision and goals to achieve that vision, and as required by State law, the Authority conducts a strategic planning process every five years, including the last update in 2020. The strategic plan is developed by an internal cross-functional team in consultation with Port Commissioners, Authority senior management, staff, industry partners, Channel users and community stakeholders.

The 2020 strategic plan is organized under four strategic goals: People – “Be the Best Place to Work;” Infrastructure – “Optimize Infrastructure and Channel Capacity to Serve the Region;” Partnerships – “Develop and Strengthen External Partnerships;” and Stewardship – “Create Greater Value for the Region.”

## **Sustainability**

The Authority is committed to conducting its operations with a focus on diversity, sustainability, and innovation. Ongoing investments in sustainable infrastructure and equipment have helped the Authority reduce its carbon footprint by over 50% since 2016, and the Authority is targeting an increase in such reductions to 70% by 2035. The Authority was the first port authority to meet ISO 14001 standards for environmental excellence in 2002. In 2020, it was the first port authority to contract for one hundred percent renewable electricity service at its facilities, which is estimated to eliminate approximately 25,000 tons of CO<sub>2</sub> emissions per year.

In 2021, the Authority launched a Business Equity Division to lead internal and external diversity, equity and inclusion efforts, including the development of inclusive leadership training and a newly established minority and woman-owned business enterprise procurement program. The Authority has also made a substantial commitment

toward the support of small businesses, having awarded more than \$600 million in Authority contracts to small businesses contractors or subcontractors registered in the Authority's small business program since inception of the program in 2002.

Finally, as part of its 2022 strategic initiatives, the Authority developed a roadmap for carbon neutrality by 2050 that will help ensure long-term sustainability.

## **Management and Administration**

***Roger D. Guenther – Executive Director.*** Roger D. Guenther was named the Executive Director of the Authority in January 2014. Mr. Guenther has over 30 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.

After joining the Authority in 1988, Mr. Guenther 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 container handling cranes and equipment.

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 Authority, Mr. Guenther was an engineer with Emscor, Inc. in Atlanta, Georgia. Mr. Guenther currently serves on numerous boards and committees including the Texas Department of Transportation's Texas Freight Advisory Committee, the Port Authority Advisory Committee, the Board of Visitors of Texas A&M University at Galveston, Texas A&M Transportation Institute (TTI) Advisory Council, the Port Terminal Railroad Association, the Greater Houston Port Bureau, the Board of Directors of the National Association of Waterfront Employees, the board of the Gulf Coast Protection District, and the Maritime Transportation System National Advisory Committee.

***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 all operating areas, including Finance, Commercial, Port Operations, Infrastructure, Technology, and Port Security and Emergency Operations.

In 1982, Mr. Heidt began his career at the Authority in the Accounting Department, including holding management positions in Payroll, 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, he became 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 and records management functions. Prior to joining the Authority in 2005, Mr. Eriksson held 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 state bars 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 the Authority's controllership function and its Treasury, Financial Planning, Procurement Services, Risk Management, and Internal Audit Departments. 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, including billing services, credit and collection, and the payroll and payables disciplines.

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 of Finance for HP’s global commercial desktop and display division. Mr. Finley also 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 of the State, a Certified Public Finance Officer designation by the Government Finance Officers Association of the U.S. and Canada, and the designation of County Investment Officer as issued by the Texas Association of Counties.

Mr. Finley serves on the board of the Maritime Workers Emergency Medical Fund as Treasurer.

***Shannon Williams – Chief Audit Executive.*** Shannon Williams was named Chief Audit Executive of the Authority in February 2022, overseeing its internal audit function. Prior to joining the Authority in 2022, Ms. Williams served in several progressive auditing roles across various industries.

Mrs. Williams received a Bachelor of Science in Computer Information Systems and Marketing from Grambling State University and earned her MBA from Amberton University. She is a Certified Information Systems Auditor. She is also a member of several professional organizations, including the Institute of Internal Auditors, the Association of Local Government Auditors, and the Information Systems Audit and Control Association.

## **Overview of Authority Properties and Port Facilities**

The Authority owns approximately 3,804 acres of developed properties and 4,271 acres of undeveloped properties, including dredged material placement areas. The Authority also owns or manages over 12,750 acres of submerged lands in and adjoining the County, which the Authority may lease to adjacent property owners.

The following is a general overview of the Channel and the primary terminal facilities owned by the Authority. 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 the “Port of Houston Authority Properties” map for more detailed information on the locations of the Port Facilities described herein. See “—Authority Operations” for a more detailed description of the Authority’s lines of business.

***Houston Ship Channel.*** The Channel is the center of the greater Port of Houston complex and extends 52 miles inland and links the City 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 USACE completed a Channel deepening and widening project, now known as Project 10, as it was arguably the tenth major improvement project to the waterway in its history. Portions of the Channel were deepened from 40 feet to 46.5 feet and widened from 400 feet to 530 feet as a part of Project 10. The Authority is currently working with the USACE on Project 11, the further deepening and widening of the majority of the Houston Ship Channel. The Authority owns portions of the submerged lands beneath the Channel and within the County, and has certain other rights under law in connection with channel reaches under Galveston Bay. See “—Project 11 – Houston Ship Channel Expansion Channel Improvement Project” and “—Authority’s Capital Improvement Program.”

***Turning Basin Terminal.*** The multipurpose Turning Basin Terminal in the upper Channel area includes 41 breakbulk and general cargo wharves and substantial dockside facilities including covered and open storage and rail service. Wharf 32 located within this terminal is specifically designed for handling project and heavy-lift cargoes and has 36 acres of heavy-duty paved marshalling area. Some of these dockside areas are subject to freight handling assignments, which provide selected stevedoring companies licensed by the Authority with preferential freight handling rights within those areas. Various cargo storage areas and a grain elevator located within the upper level of the terminal adjoining the wharves are subject to leases. East Industrial Park, a 315-acre industrial park adjacent to the Turning Basin Terminal, 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. Several other sites on the south side of the Channel are subject to various term-length leases with bulk cargo operators. See also “—Authority’s Capital Improvement Program – Turning Basin.”

**Woodhouse Terminal.** Woodhouse Terminal is located on a 100-acre tract a short distance downstream from the Turning Basin Terminal. The terminal includes over 112,740 square feet of covered shed space, three general cargo wharves with rail access, and 25 acres of open storage, areas currently under lease through April 2028. In addition, the terminal includes a six-million-bushel capacity grain elevator and ancillary property, totaling approximately 26 acres, which is currently under lease through May 2024.

**Bulk Materials Handling Plant.** The Bulk Materials Handling Plant is 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 layberth only, and the third berth functions as a barge dock. The terminal is currently leased through June 2027. In addition, the Authority owns approximately 386 acres of unimproved land adjoining this facility, which is available for leasing and development.

**Jacintoport Terminal.** Jacintoport Terminal, located further downstream in the mid-Channel area, totals approximately 125 acres and consists of three wharves, various warehouse facilities and buildings with rail access. Also available are refrigerated, frozen, and dry cargo facilities used for both cargo handling and storage. The terminal is currently under a term lease through October 30, 2037.

**Care Terminal.** Care Terminal is located near Jacintoport Terminal and consists of two wharves, 45,000 square feet of shed space, and 14 acres of paved marshaling area, with rail access. Care Terminal is leased through September 2040. The Authority also entered into a 30-year lease, expiring September 2043, for submerged property adjacent to this facility, for construction and operation of a liquid bulk dock.

**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 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.

**Barbours Cut Terminal.** 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 Terminal near the point where the Channel enters Galveston Bay, three and a half hours sailing time from the Gulf of Mexico.

Barbours Cut Terminal’s six berths provide 6,000 feet of continuous quay. Fifteen Ship-To-Shore (“STS”) wharf cranes for handling of containers traverse the wharves to serve ships simultaneously or singly, as required; these cranes are operated under short-term arrangements by licensed stevedoring companies. The container yard areas, marshalling areas behind container berths served by 50 rubber-tired gantry (“RTG”) cranes, are operated by the Authority to store containers, and transfer them to and from land carriers. This facility also includes gates operated by the Authority, and other paved areas, warehouse space, and rail facilities. Barbours Cut Terminal has current capacity for handling approximately 1.2 million to 2.0 million TEUs on an annual basis. The Authority is carrying out a comprehensive project to redevelop this terminal to higher operational standards to accommodate larger container vessels. Once completed, Barbours Cut Terminal is expected to handle approximately 2.4 million TEUs annually. See “—Authority’s Capital Improvement Program – Barbours Cut Terminal.”

**Bayport Container Terminal.** Bayport Container Terminal became operational in January 2007 and is located approximately 5 miles south of Barbours Cut Terminal. This terminal is located within the larger Bayport industrial complex in the southeast portion of the County, and is linked by the Bayport Channel to the Houston Ship Channel. Its proximity to Barbours Cut Terminal benefits the Bayport Container Terminal customers due to competitive rail and trucking charges and affordable ancillary services at Barbours Cut Terminal.

The terminal includes almost 4,000 feet of wharf, 392 acres of container yard, administration, maintenance and repair, marine emergency, and stevedore support buildings, 12 STS wharf cranes, 66 RTG cranes, and gate facilities. As at Barbours Cut Terminal, the STS cranes are operated by licensed stevedoring companies and the container yard and gates by the Authority. Work continues on additional expansion of this terminal, which when completed is expected to have seven container berths and capacity for the annual handling of approximately 3.6 million

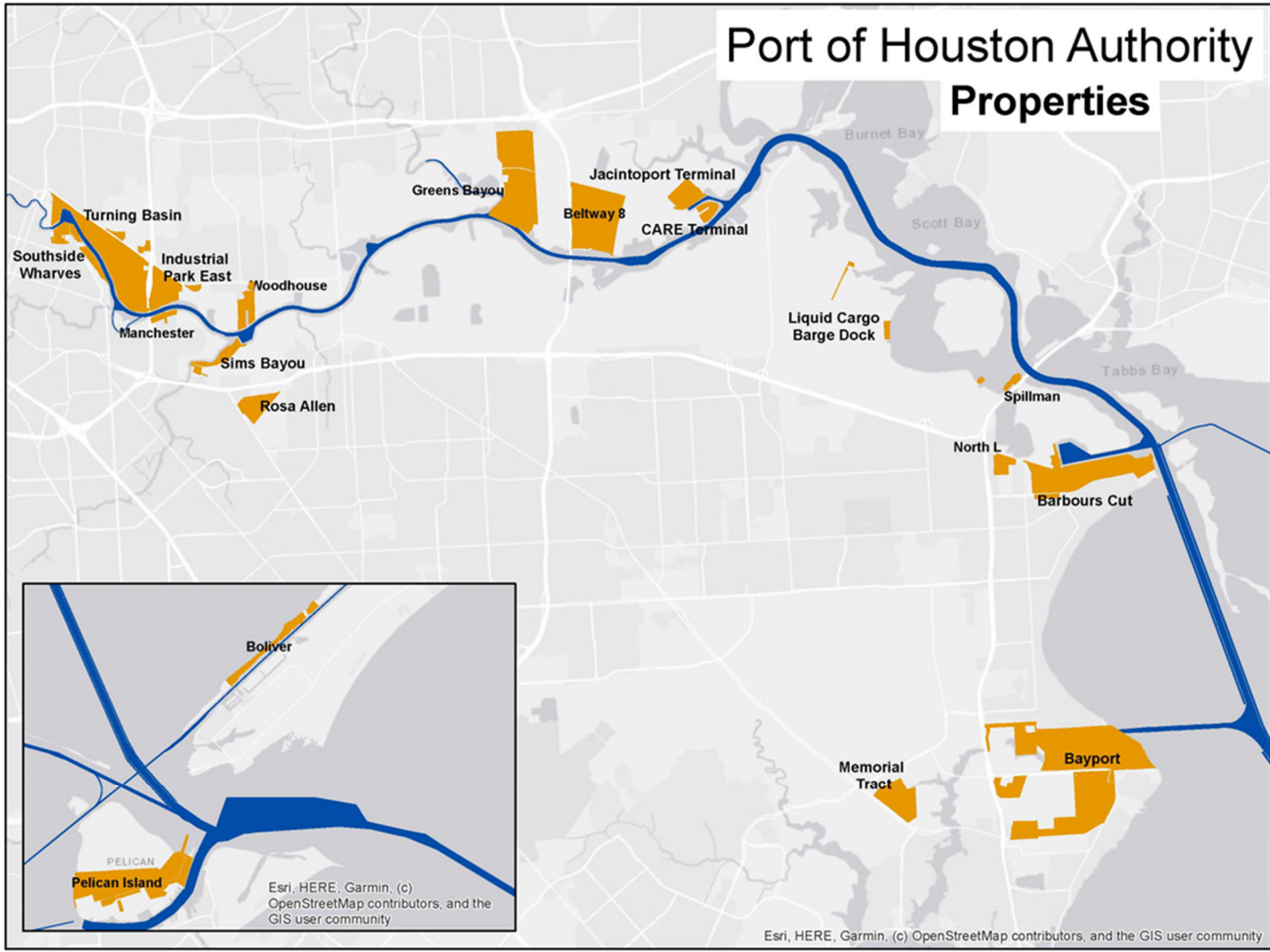
TEUs. See “—Authority’s Capital Improvement Program – Bayport Container Terminal” for a description of the additional plans for expansion of the facility.

***Bayport Auto Terminal.*** With 1,000 feet of wharf, Bayport Auto Terminal is adjacent to the Bayport Container Terminal and opened for business in November 2016. Originally used for cruise operations, it accommodated roll-on/roll-off operations for new inbound vehicles until 2023, and work has now begun to re-purpose this site for additional container storage; such construction is expected to be completed in 2025.

***Dredge Material Placement Areas and Submerged Land.*** As the non-federal sponsor of the Channel, the Authority has made available to the USACE over 7,000 acres of land in the County and Galveston Bay as dredge material placement areas, and sponsors the development of approximately 3,000 acres of man-made marsh in Galveston Bay for which the Authority currently has perpetual maintenance responsibility. The Authority performs environmental management and operational oversight of these areas through professional service and maintenance contracts. The Authority also owns or manages over 12,750 acres of submerged land in and adjoining the County. The Authority derives revenues from licenses, permits, and leases relating to dredge material placement areas and submerged land. The map that follows does not depict these properties.

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PORT OF HOUSTON AUTHORITY PROPERTIES



## Physical Characteristics of the Port Facilities of the Authority

Below in Table 1 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, 2022, included in the Statistical Section (unaudited), except for updated information relating to the Covered Storage at the Barbours Cut Terminal.

**Table 1 – Physical Characteristics of the Port Facilities of the Authority**

	Berth Lengths (Feet)	Water Depth Below Mean Lower Low Tide (Feet)	Paved Marshalling Areas (Acres)	Covered Storage (Sq. Ft.)
<b>Turning Basin Terminal<sup>(b)</sup></b>				
36 general cargo wharves	376-624	28.5-37.5 <sup>(a)</sup>	36	1,150,000
5 liquid bulk wharves	226-570	34.5-37.5 <sup>(a)</sup>	-	-
Wharf – 32 Project Cargo	806	37.5 <sup>(a)</sup>	20	-
<b>Woodhouse Terminal<sup>(c)</sup></b>				
Wharf 1	660	40.5 <sup>(a)</sup>	2	-
Wharves 2 and 3	1,250	36.5	-	112,740
Grain Dock	600	43.5	-	-
<b>Bulk Materials Handling Plant</b>				
Wharf 1	800	43.5	-	-
Wharf 2	400	43.5	-	-
<b>Jacintoport Terminal</b>				
Wharves 1-3	1,830	41.5	8	82,500
<b>Care Terminal</b>				
Wharf 1	500	38.5	10	45,000
Wharf 2	618	40.5	4	-
<b>Sims Bayou Liquid Bulk Facility</b>				
Berths	320	35.5-41.5	-	-
<b>San Jacinto Barge Terminal</b>				
Berths	200-700	17.5 <sup>(a)</sup>	-	-
<b>Barbours Cut Terminal<sup>(d)</sup></b>				
Container Berths 1-6	6,000	46.5	210	-
<b>Bayport<sup>(e)</sup></b>				
Container Berths 2-5	4,000	45.0	300	-
Bayport Auto Terminal	1,000	32.0	-	-

<sup>(a)</sup> The maximum depth allowable in this area due to federally authorized channel project depths.

<sup>(b)</sup> Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

<sup>(c)</sup> 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.

<sup>(d)</sup> On site equipment includes 16 STS wharf cranes (seven Neo-Panamax, three Super-Post-Panamax, five Post-Panamax, and one training crane), 50 RTG container yard cranes, 16 pencil/side-pick cranes for handling empty containers, and 2 top-loading container-handling machines, 40 heavy-duty tractors, and 50 heavy-duty yard chassis are available for rent from the Authority.

<sup>(e)</sup> On site equipment includes 12 STS wharf cranes (six Super-Post-Panamax and six Post-Panamax), 66 RTG container yard cranes, and two top-loading container-handling machines.

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 mainline railroads serving the port region and the Authority.

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.

## **Project 11 - Houston Ship Channel Expansion Channel Improvement Project**

### ***Background***

The Authority is the non-federal sponsor of the Channel. Since 2010, the Authority, in coordination with Congress, the USACE and Channel stakeholders, has planned a major Channel improvement project. As part of this planning process, the USACE completed a five-year project feasibility study (completed in 2019) that considered the economic benefits and environmental impacts of various proposed channel improvements through the entire 52-mile waterway. During the study period, it was noted that the growth in U.S. energy production, manufacturing, and exports as well as the increased size of ships has created significant demand and pressure on the Channel and regional infrastructure, thereby increasing the urgency for these improvements. Safety was also a primary driver for an expanded Channel. Widening the Galveston Bay segment is considered critical in maintaining safe two-way traffic for larger, modern ships on the busiest waterway in the nation with nearly 20,000 annual ship transits and 200,000 barge movements annually, as tabulated by the U.S. Coast Guard.

The Houston Ship Channel Expansion Channel Improvement Project has internally been labeled and is referred to in this Official Statement as "Project 11" as it is arguably the eleventh major improvement project to the waterway in its history.

Project 11 is a long-term initiative to deepen and widen the Houston Ship Channel to facilitate safer and more efficient transit and ensure that it continues to accommodate growth of commerce along the Channel and in the region. When completed, Project 11 will widen the Channel by 170 feet along its Galveston Bay reach, from 530 feet to 700 feet. It will also deepen upstream segments of the Channel up to 46.5 feet, make safety and efficiency improvements, and construct new environmental features, such as bird islands, oyster reefs, and marsh areas. Expected benefits of Project 11 include providing for safer two-way traffic, reducing daylight restrictions for large vessels, enabling the transit of larger container vessels, and supporting larger and deeper draft vessel passage in the upper reaches of the Channel. Project 11 is also expected to provide long-term environmental benefits to wildlife, water quality and regional air quality. Because the Project 11 channel improvements can provide immediate benefits, the Authority is working with the USACE and industry partners to expedite the remaining design and construction of Project 11, with the expectation that these accelerated efforts will enable completion of a wider, deeper, and safer Channel in less than five years.

In April 2020, the USACE Chief of Engineers signed the final Chief's Report for Project 11, and the locally preferred plan ("LPP") for Project 11 was authorized by Section 401(1) of the Water Resources Development Act (WRDA) of 2020, which authorizes port, waterway, flood protection improvement and other water resources critical to the nation's economic growth, health, and competitiveness. In January 2021, the Authority was notified by the USACE that the project had been granted a "new start" designation and \$19.5 million in federal funds to begin construction of Project 11.

In July 2021, the Authority and the USACE entered into a Project Partnership Agreement (the "PPA") for the development of Project 11. As described in the PPA, Project 11 is composed of components constituting the national economic development plan (the "NED Plan") and an additional component that is the LPP portion. Major components of the approved Project 11 include the following:

- Four bend easings on the main Houston Ship Channel, with associated relocation of barge lanes;
- Widening of the Houston Ship Channel main channel between Bolivar Roads and Barbours Cut Channel from the existing 530-foot width to 700 feet, with associated relocation of barge lanes;
- Widening of the Barbours Cut Channel on the north side of the channel to 455 feet;
- Widening of the Barbours Cut Channel flare on the north and south side to create an 1,800-foot diameter turning basin;
- Deepening of the Houston Ship Channel main channel from Boggy Bayou to the Hunting Turning Basin up to 46.5 feet;
- Improving the Brady Island Turning Basin to a 900-foot diameter;
- Inclusion of the Greens Bayou Channel, a 1.6-mile-long channel with a combination of 41.5-foot depth and 16.5-foot depth, into the federal project;
- Inclusion of the Jacintoport Channel, measuring 0.76-mile long by 41.5 feet deep, into the federal project;
- Dredging of approximately 350 million cubic yards of material for both new work and additional operation and maintenance activities;
- Providing dredged material placement facilities required for construction, operation, and maintenance of the project;
- Mitigation through creation of approximately 377 acres of oyster habitat and purchase of approved mitigation bank credits for 72 acres of wetland; and
- Mitigation of anticipated air quality impacts.

The NED Plan includes segments 1A, 2, 3, 4, 5, and 6, as generally described in “- Project 11 Segments” below. Segments 1B and 1C comprise the LPP and the Authority is responsible for one hundred percent of the incremental construction costs allocated to those segments. The PPA excludes Segment 1C as the Authority received separate approval for that segment, pursuant to Section 204(f) of the Water Resources Development Act of 1986, as amended (33 U.S.C. § 2232(f)), which facilitates the federal assumption of maintenance obligations. Accordingly, the Authority addressed the construction and funding of Segment 1C outside of the PPA, and the USACE agreed to assume maintenance responsibility for Segment 1C pursuant to an agreement between the Authority and the USACE entered into in April 2022. Section 8306(22) of the Water Resources Development Act of 2022 provides that the federal government will also assume responsibility for maintaining Segment 1B following the USACE’s approval. The Authority is developing a request for that approval.

Section 101 of the Water Resources Development Act of 1986, as amended (33 U.S.C. § 221), specifies the cost-sharing requirements applicable to Project 11. The Project 11 feasibility level estimated costs included in the PPA totaled approximately \$815,507,000, with NED Plan costs estimated to be approximately \$735,754,000 and the incremental costs of the LPP estimated to be approximately \$79,753,000. The PPA also includes the cost, again estimated on a project feasibility basis, of the Authority’s share of the total cost of the project. That share was estimated to be approximately \$337,267,000. The Authority will be given credit against its cost share, up to 10% of the cost of constructing the NED Plan, for the costs incurred for lands, easements, rights of way and relocations allocated to the NED Plan.

The average annual costs for operation and maintenance activities for portions of Project 11 included in the NED Plan will be the responsibility of the USACE. These annual federal costs were estimated in the PPA to be approximately \$16,983,000. When construction of Project 11 began, the Authority was to be responsible for the costs of operation and maintenance of Project 11 that exceeded federal cost for the NED plan, which costs were estimated to be approximately \$3,100,000 per year. The Authority’s responsibility for the incremental costs of maintaining Segment 1C terminated in April 2022 when the USACE agreed to assume maintenance responsibility for that segment. The Authority’s responsibility for the incremental costs of maintaining Segment 1B will terminate if the USACE approves federal assumption of responsibility for maintenance, as authorized by Section 8306(22) of the Water Resources Development Act of 2022. The Authority will be responsible for the costs of the operation and maintenance of the additional capacity associated with non-federal use of dredged material placement facilities, which average annual operation and maintenance costs were projected in the PPA to be approximately \$110,000. The Authority has incorporated the estimated cost of its current remaining operation and maintenance responsibilities in its liquidity planning associated with the issuance of obligations for Project 11.

The costs of designing and constructing Segment 1C is the responsibility of the Authority and was estimated on a project feasibility basis to be approximately \$162,000,000. The Authority will also incur additional costs for the relocation of utilities required to accommodate a Channel depth more than 45 feet. When the costs of constructing Segment 1C are added to the construction costs included in the PPA, the total estimated cost (federal and local) of Project 11 based on the 2019 project feasibility study is approximately \$1.02 billion.

Notwithstanding the cost shares provided in the PPA that are summarized above, along with its execution of design and construction activities the Authority is endeavoring to accelerate the completion of Project 11. This acceleration has increased the Authority's funding needs as described in the schedule below. Funding amounts provided by the Authority that are more than its required cost-share responsibility are expected to be considered by the USACE as additional "work-in-kind credit," potentially eligible to be applied against future channel construction cost-share responsibilities.

Due to federal processes and uncertainty in annual Congressional appropriations, the construction schedule for Project 11 could extend to 2030 or possibly later. The projected amounts identified in the Projected Project 11 Funding Sources and Allocations table below are based on awarded contracts and the most recent estimates for design and construction work (and thus differ from the project feasibility estimated costs that were the basis for the PPA). Such figures are presented to illustrate potential increases in the Project 11 costs as compared to the estimated Project 11 costs in the 2019 project feasibility study. The estimated costs presented in this Official Statement are expected to change as Project 11 continues through the final design and construction phases. Funding sources and costs may increase or decrease materially from the table below and from project feasibility estimates, and these projected amounts are not intended to be construed as the final financial responsibilities of the federal government or the Authority. See "FORWARD-LOOKING STATEMENTS."

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**Projected Project 11 Funding Sources and Allocations**  
**(Dollar amounts in thousands)**  
**Current as of July 2023<sup>(a)(b)</sup>**

<u>Funding Sources</u>	<u>Estimated LERRD<sup>(c)</sup></u>	<u>Awarded Contracts<sup>(d)</sup></u>	<u>To be Awarded Contracts<sup>(e)</sup></u>	<u>Total</u>
Federal Share <sup>(f)</sup>	—	\$ 12,789	\$279,448	\$ 292,237
Local Share (design, construction management, and construction)	—	\$557,556	\$218,071 <sup>(g)</sup>	\$ 775,627 <sup>(h)</sup>
Local Share (Land value, pipeline removal and relocation) <sup>(i)</sup>	\$67,419	—	—	\$ 67,419 <sup>(h)</sup>
<b>Total</b>	<u>\$67,419</u>	<u>\$570,345</u>	<u>\$497,519</u>	<u>\$1,135,283</u>

<sup>(a)</sup> Costs reported in this table are different from the amounts stated in the PPA due to the use of actual awarded contracts and the most recent estimates for pending design and construction of work.

<sup>(b)</sup> As of July 25, 2023, three of thirteen Project 11 contracts being led by the Authority and USACE have been fully completed. In addition, three additional Authority-led contracts – Bolivar Roads to Redfish Reef, Redfish Reef to Bayport (mechanical), and Redfish Reef to Bayport (Hydraulic) – are under contract.

<sup>(c)</sup> The term “LERRD” means lands, easements, rights of way, relocations, and disposal.

<sup>(d)</sup> Contracts awarded to date for design, construction and management.

<sup>(e)</sup> Remaining contracts yet to be awarded to complete Project 11.

<sup>(f)</sup> Funding made available through periodic Congressional appropriations. Includes funding received and requested by the USACE.

<sup>(g)</sup> Includes local share of design and construction, additional local share if work-in-kind credits of approximately \$51.1 million are not available from the federal share, and wetlands mitigation credits in the amount of approximately \$2.75 million.

<sup>(h)</sup> The Authority currently estimates that the proceeds of the Series 2021 Bonds and the Bonds will be sufficient to cover the local share identified in this table.

<sup>(i)</sup> Land value and pipelines. Industry pipeline owners and the Authority are each responsible for one-half of pipeline removal and relocation costs; the pipeline owners’ portions are not included in the PPA or in this funding summary.

The federal government’s share of the total project cost must be appropriated by Congress, and the Authority cannot make any representations or predictions concerning the timing or amounts of future federal appropriations for Project 11. To date, federal appropriations for Project 11 have totaled \$172.7 million — \$19.5 million for the “new start” designation in 2021, \$142.5 million as part of the Infrastructure Investment and Jobs Act (IIJA) Workplan for federal fiscal year 2022 for Segment 3, and \$10.7 million to fund a portion of Segment 4 in federal fiscal year 2023. After taking into account potential work in kind credits being sought by the Authority, approximately \$170 million to \$180 million or more of federal funding is needed for the USACE to design and construct the remaining portions of Segment 4 and Segments 5-6. The Authority is committed to advocating for Project 11 and continuing efforts to receive necessary federal funding to complete the project. A failure by the federal government to appropriate the remaining funds would result in delays in the completion of the remaining portions of Segment 4 and Segments 5-6 until such time as federal funding becomes available or other funding sources could be identified.

The Authority is also analyzing several options for funding the local share of the Project 11 costs. This includes exploring the feasibility of obtaining a portion of the local share from port or harbor dues levied by the Authority pursuant to 33 U.S.C. § 2236 on vessels using the Channel; however, the Authority cannot make any representations or predictions regarding the availability of such funding.

## ***Project 11 Segments***

Project 11 is composed of eight segments (i.e., 1A, 1B, 1C, 2, 3, 4, 5, and 6) of the Channel, as generally described below.

### **Segment 1 – Bolivar Roads to Boggy Bayou**

- Widen the Channel from 530 feet to 700 feet with associated barge lane relocation from
  - Segment 1A – Bolivar Roads to Redfish Reef
    - Approximately 11.5 miles in length
  - Segment 1B – Redfish Reef to Bayport Ship Channel (BSC), LPP Feature
    - Approximately 8.3 miles in length
  - Segment 1C – BSC to Barbours Channel (BCC), LPP Feature
    - Approximately 5 miles in length
    - To be constructed by the Authority but maintained by the USACE
- Construct new bird islands in Galveston Bay
- Construct new marshes
- Mitigate for oyster habitat loss
- Four Channel bend easings with associated barge lane relocation

### **Segment 2 – Bayport Ship Channel (BSC)**

- Approximately 4 miles in length
- Construct marshes and new bird islands in Galveston Bay
- Widen BSC on the north side from existing 350 to 455 feet in land-cut and 400 feet to 455 feet in water
- BSC inclusion in the federal project
- Mitigate for oyster habitat loss
- Modify channel entrance to reduce shoaling

### **Segment 3 – Barbours Cut Channel (BCC)**

- Widen BCC on the north side from existing 300 feet to 455 feet
- BCC Combined Flare and Turning Basin
- BCC inclusion in the federal project
- Construct additional marshes on Atkinson Island
- Modify entrance channel

### **Segment 4 – Boggy Bayou to Sims Bayou**

- Deepen the Channel from 41.5 feet to 46.5 feet from Boggy Bayou to Hunting Turning Basin
- Widen the Channel from 400 feet up to 530 feet from Boggy to Greens Bayou Channel
- Hunting Turning Basin Improvements
- Inclusion in the federal project of the Jacintoport Channel, measuring 0.76-mile long by 41.5 feet deep
- Inclusion in the federal project of the Greens Bayou Channel, a 1.6-mile-long combination 41.5- feet and 16.5 feet deep channel

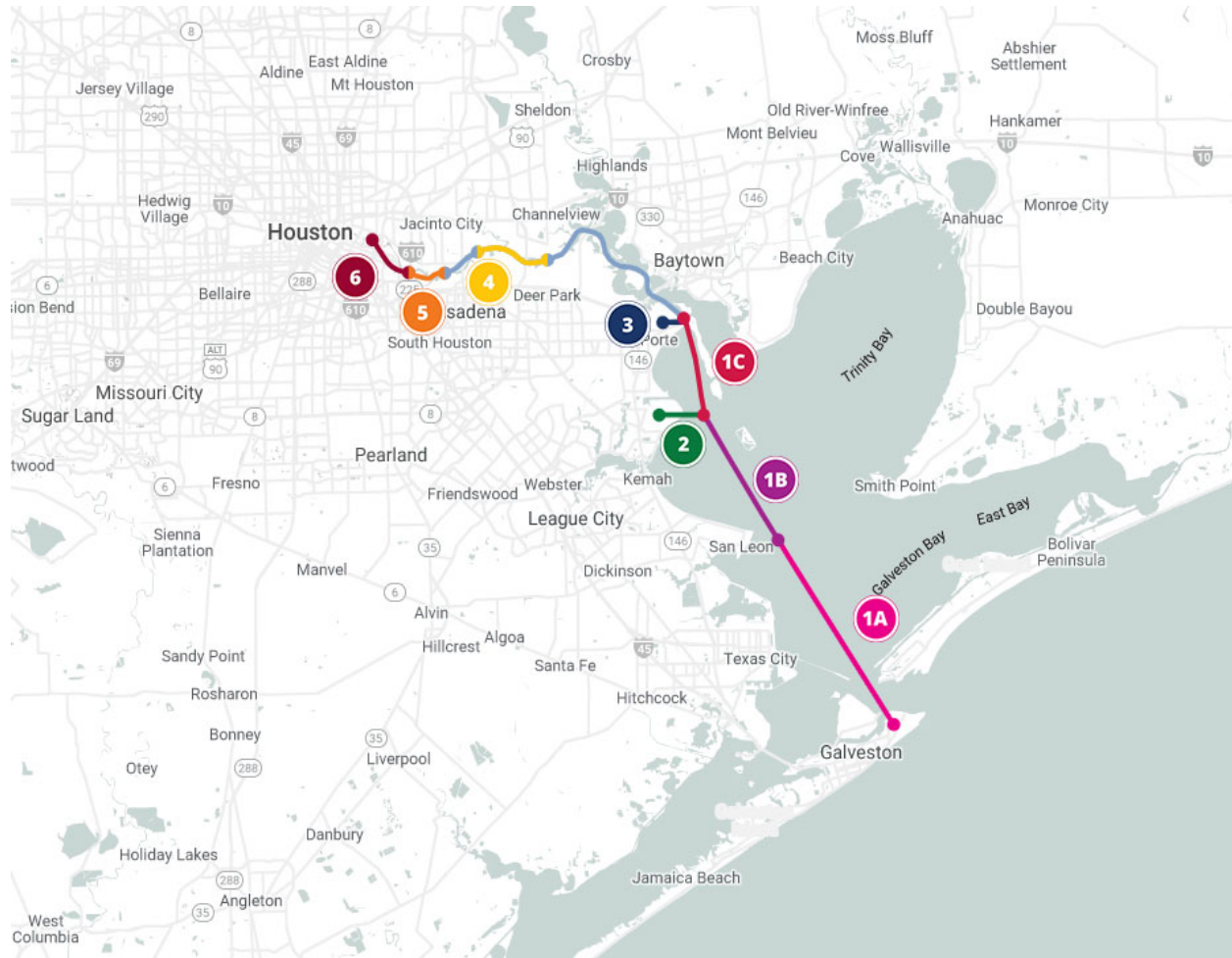
### **Segment 5 – Sims Bayou to I-610 Bridge**

- Deepen the Channel from 37.5 feet up to 41.5 feet from Sims Bayou to I-610 Bridge

### **Segment 6 – I-610 Bridge to Main Turning Basin**

- Deepen the Channel from 37.5 feet up to 41.5 feet from I-610 Bridge to Main Turning Basin
- Increase Brady Island turning basin to 900-foot diameter

## Project 11 Segment Map



## Authority Operations

**Container Cargo Operations.** In Fiscal Year 2022, the Authority was the leading container port on the United States Gulf Coast, handling approximately 73% of the United States Gulf Coast container traffic and maintaining a 97% market share among Texas ports in container traffic. On a national level, the Authority was ranked fifth among United States container ports in terms of loaded TEUs. The Authority’s container trade reaches across the globe and covers both imports and exports. The Authority offers 22 weekly, direct, all-water container services to all major markets worldwide including Asia, Central America and South America. See “—Table 2 – Container Geographic Trade Lanes – Fiscal Year 2022” and “—Table 3 – Volumes of Containerized Import and Export Commodities – Fiscal Year 2022 (in TEUs).” Import cargoes are primarily consumer goods and export cargoes are primarily plastic resins. For the twelve months ended December 31, 2022, the Authority derived approximately 82% of its revenue from its containerized cargo operations, located at Barbour’s Cut Terminal and Bayport Container Terminal. See “—Table 6 – Operating Revenues by Type.”

**Table 2 – Container Geographic Trade Lanes – Fiscal Year 2022**

	<u>Imports</u>	<u>Exports</u>
Asia	53%	23%
Europe	14%	17%
Americas	13%	27%
Mediterranean	9%	8%
India Subcontinent	7%	7%
Africa / Middle East	3%	15%
Other	1%	3%

Source: PIER.S.

**Table 3 – Volumes of Containerized Import and Export Commodities – Fiscal Year 2022 (in TEUs)**

	<u>Imports</u>		<u>Exports</u>
Machinery, Appliances & Electronics	307,754	Resins & Plastics	483,541
Retail Consumer Goods	272,357	Chemicals & Minerals	239,229
Hardware & Construction Materials	244,145	Automotive	104,155
Food & Drink	219,371	Food & Drink	73,564
Furniture	207,866	Apparel & Accessories	64,168
Resins & Plastics <sup>(a)</sup>	139,967	Machinery, Appliances & Electronics	61,734
Steel & Metals	131,023	Steel & Metals	55,726
Automotive	124,241	Fabrics including Raw Cotton	53,786
Chemicals & Minerals	108,970	Retail Consumer Goods	24,262
Apparel & Accessories	80,592	Hardware & Construction Materials	15,692
Fabrics including Raw Cotton	35,034	Furniture	5,940
Other	26,086	Other	12,502

<sup>(a)</sup> In Fiscal Year 2022, the greater Port of Houston became the leading port for resins exports in the United States. According to the U.S. Census Bureau, the Authority maintained a market share of approximately 59% for U.S. waterborne exports of all resin and market share of approximately 73% for U.S. waterborne exports of polyethylene resin.

Source: PIER.S.

In July 2023, the Global Port Tracker reported declines in year-over-year imports loaded TEU volumes of approximately (i) 22.5% for all ports in the United States, (ii) 26.3% for west coast ports, and (iii) 20.3% for east coast ports. In contrast, the Authority experienced a decline in year-over-year imports loaded TEU volume of approximately 7.0% during the reporting period. Additionally, the Global Port Tracker reported the following year-over-year changes in export loaded TEU volumes: (i) an approximate 0.6% increase for all ports in the United States, (ii) an approximate 2.7% decline for west coast ports, and (iii) an approximate 0.7% increase for east coast ports. The Authority experienced an approximate 14.2% increase in export loaded TEU volumes during the reporting period.

**Multi-Purpose, Breakbulk, and Project Cargo Operations.** The Authority is a national leader for breakbulk cargo in part due to the large laydown areas located adjacent to its general cargo and heavy lift docks. The Authority’s multi-purpose cargo terminals are generally located from the Turning Basin to the mid-channel area downstream, including the Turning Basin Terminal, the Bulk Materials Handling Plant, Care Terminal, and Jacintoport Terminal. See “—Overview of Authority Properties and Port Facilities.”

For the twelve months ended December 31, 2022, the Authority derived approximately 15% of its revenues from multipurpose, breakbulk and project cargo operations. The revenues are primarily under short-term use arrangements under Authority tariffs, or leases of varying terms. See “—Table 6 – Operating Revenues by Type.”

**Property Agreements.** In connection with the management of its properties, the Authority enters into various property agreements, which convey the right to use, rent, or lease Authority property, including leased premises, freight handling assignments, easements, access licenses, pipeline licenses, permits, dredge materials placement

agreements, and railroad rights-of-way. In cases where the Authority operates as a landlord through various lease agreements, tenants pay rental fees and other fees to the Authority. Leases generally include cost-of-living or percentage rent escalation arrangements, and certain leases require the rent escalation based on updated appraisals of the value of such properties. Certain leases and freight handling assignments also have minimum annual Port Facility cargo guarantees, or similar arrangements, to assist in amortizing the Authority's costs incurred to improve properties, provide additional revenues, and provide ancillary Port Facility benefits. For the twelve months ended December 31, 2022, revenues from these property agreements account for approximately 8.6% of the Authority's operating revenues. For financial reporting purposes, revenues from these agreements are reflected in each of the revenue categories in Table 6 based on the physical location of the leased property. See "—Table 6 – Operating Revenues by Type" and "—Table 10 – Top Ten Authority Tenants."

***Rail Facilities and the Port Terminal Railroad Association.*** The Authority owns approximately 165 miles of railroad track with operating rights on an additional 10 miles of track and 734 acres of rights-of-way with storage yard capacity for railroad cars near its facilities. These railyards are made available to the PTRRA, an association of mainline railroads that serve the greater Port of Houston area and the Authority, and which in return provide the Authority a revenue stream comprised of a flat monthly fee plus a per car-load fee.

The Authority's terminals are served by three Class I railroads: Union Pacific, Burlington Northern Santa Fe, and Kansas City Southern. Cargo can transfer via rail to and from the wharves for all facilities with the exception of Bayport Container Terminal. An Intermodal Container Transfer Facility (ICTF) and rail ramp are part of the Bayport Master Development Plan.

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## Revenue Tonnage

The following table provides a summary of the type and volume of cargo handled at the Authority for the past five Fiscal Years. “Revenue tonnage” represents tonnage from which Authority revenues are derived either directly in the container operations; through wharfage and dockage charges for vessels utilizing the public wharves, or through lease revenues for facilities owned by the Authority but operated by third parties under leasehold arrangements.

**Table 4 – Revenue Tonnage (in short tons)**

	<u>2022</u>	<u>2021</u>	<u>2020<sup>(a)</sup></u>	<u>2019</u>	<u>2018</u>
<b>Container Cargo</b>					
Barbours Cut Terminal	15,635,117	12,146,844	12,307,526	11,226,819	10,737,680
Bayport Container Terminal	17,883,852	16,529,686	15,385,083	16,603,071	14,605,339
<b>General Cargo</b>					
Turning Basin/Bayport Auto					
Autos import	113,973	98,014	85,344	117,531	127,448
Autos export	109	503	385	2,058	1,089
Steel imports	3,166,641	1,490,393	902,460	2,030,908	2,744,586
All other	1,611,193	1,327,242	447,881	513,023	375,924
	<u>4,891,916</u>	<u>2,916,152</u>	<u>1,436,070</u>	<u>2,663,520</u>	<u>3,249,047</u>
Jacintoport Terminal	1,312,055	1,040,505	1,225,999	1,466,353	1,553,325
Care Terminal	623,898	431,060	309,542	731,216	738,480
Woodhouse Terminal	1,580,726	1,373,584	1,043,911	1,382,598	768,830
Total General Cargo	<u>41,927,564</u>	<u>34,437,831</u>	<u>31,708,131</u>	<u>34,073,577</u>	<u>31,652,701</u>
<b>Bulk Cargo</b>					
Jacintoport Terminal	7,818	1,478	1,511	1,465	1,635
Care Terminal	41,910	22,446	13,802	12,340	112,975
Woodhouse Terminal	-	9,569	-	-	7,081
Sims Bayou	3,974,135	1,134,324	1,355,034	1,157,376	1,199,628
S.J.B. Liquid Facility	336,032	410,623	399,012	379,141	560,342
Turning Basin Terminal	3,253,144	3,356,088	2,881,677	2,157,920	2,157,461
	<u>7,613,039</u>	<u>4,934,528</u>	<u>4,651,036</u>	<u>3,708,242</u>	<u>4,039,122</u>
Bulk Materials Hdlg. Plant	3,612,582	2,668,164	2,562,328	3,056,749	3,796,229
Public Grain Elevator No. 2	1,907,778	2,492,783	2,766,115	2,298,347	1,375,234
Total Bulk Cargo	<u>13,133,399</u>	<u>10,095,475</u>	<u>9,979,479</u>	<u>9,063,338</u>	<u>9,210,585</u>
<b>Grand Total</b>	<u>55,060,963</u>	<u>44,533,306</u>	<u>41,687,610</u>	<u>43,136,915</u>	<u>40,863,286</u>

<sup>(a)</sup> The global economic downturn resulting from the Pandemic adversely impacted the global supply chains and the energy sector. While the Authority’s Fiscal Year 2020 container volume in TEUs surpassed Fiscal Year 2019, overall tonnage decreased slightly. The majority of steel products handled in the Authority’s general cargo business is in the form of steel drilling pipe; as the price of oil dropped in 2020, so did demand for drilling pipe.

Source: The Authority.

## Vessel Arrivals

The following table shows the types and number of vessel arrivals at the Port Facilities over the past five Fiscal Years.

**Table 5 – Vessel Arrivals**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Authority Public Wharves</b>					
<b>Turning Basin Terminal</b>					
Ships	742	744	677	699	779
Barges	723	667	878	890	1,182
<b>Bulk Plant, Jacintoport, Care, and Woodhouse Terminals</b>					
Ships	420	478	508	534	435
Barges	488	438	560	568	547
<b>Sims Bayou and San Jacinto Barge Terminal</b>					
Ships	47	33	75	12	23
Barges	703	764	730	742	890
<b>Barbours Cut Terminal</b>					
Ships	485	454	571	554	527
Barges	2	-	5	35	54
<b>Bayport Container Terminal</b>					
Ships	413	450	437	450	420
Barges	43	50	62	111	172
<b>Bayport Auto Terminal</b>					
Ships	84	75	85	73	56
Barges	-	-	-	-	-
<b>Total Authority Arrivals</b>					
Ships	2,191	2,234	2,353	2,322	2,240
Barges	1,959	1,919	2,235	2,346	2,845

Source: The Authority.

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## **Stevedoring and Cargo Handling**

The Authority requires that any company providing stevedore services (i.e., loading and unloading cargo to and from ships) at its publicly-available wharves hold an approved stevedore license. Licenses are issued for an annual term following Port Commission approval. License holders must be financially and legally responsible and competent to perform stevedoring services, taking into account the management, ownership, and control of the license holder.

Companies holding valid stevedore licenses may also apply for non-exclusive freight handling assignments at certain areas within Turning Basin facilities and certain other public terminals. Freight handling is the handling, loading, and unloading of cargo to and from land-side transportation. Assignments are made following Port Commission approval, based on a determination that the applicant is able to meet minimum tonnage and revenue generation requirements, and is fit and able to operate in a safe and financially and legally responsible manner within the assigned area. Additionally, the Authority may take into consideration relevant information, including the method of operation of the applicant, and its safety record, financial responsibility, and record of adherence to legal requirements.

Tenants may separately provide or obtain non-licensed stevedoring and freight handling services at leased facilities, with the exception of certain wharves adjoining leased areas that remain publicly accessible and subject to tariff provisions.

At the container terminals, stevedoring services are provided by stevedores licensed as described above, where freight handling services are performed by the Authority.

## **Labor Relations**

Members of various locals of the ILA provide services at Port Facilities, supporting both private stevedoring companies and Authority operations. Although the Authority is not a party to any collective-bargaining agreements, the Authority generally observes similar work rules and conditions as established by agreements entered into by the ILA with the U.S. Maritime Alliance (“USMX”). The Authority endeavors to maintain good relations with organized labor and has not experienced a labor-related work stoppage at its facilities since 1986.

## **Authority Tariffs and Marine Terminal Services Agreements**

The Port Commission has jurisdiction over and control of the use of the Houston Ship Channel from its beginning in Galveston Bay to the Turning Basin and all navigable streams tributary thereto in the County. It also has jurisdiction over and control of the use of all wharves, sheds, warehouses, grain elevators, freight handling machinery and equipment, and all other property, equipment, and facilities owned and operated by the Authority. Finally, it has the power to regulate and fix charges for the use of such waterways and facilities. The tariffs providing for such regulation and charges currently in place are Port of Houston Authority Tariff No. 8 (Rates, Rules and Regulations Governing the Houston Ship Channel and the Public-Owned Wharves), Tariff No. 14 (Additional Rates, Rules and Regulations Governing the Fentress Bracewell Barbours Cut Container Terminal), and Tariff No. 15 (Additional Rates, Rules and regulations Governing the Bayport Container Terminal). Copies of the tariffs are available at [www.porthouston.com/toolbox/rates/tariffs/](http://www.porthouston.com/toolbox/rates/tariffs/). Reference to the website is made for informational purposes only.

The Port Commission controls and determines its tariff structure, subject to the requirements of federal and State law. In establishing that structure, it seeks to maintain reasonable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movement of domestic and foreign waterborne cargo. Tariff provisions cover rates and provisions for vessel dockage, wharfage, wharf storage, wharf demurrage and other miscellaneous terminal charges necessary for the orderly movement of cargo. The tariffs also contain rules and regulations for the use of Authority facilities. The use of the waterways and facilities under jurisdiction of the Authority constitute a consent to the terms and conditions of the tariffs.

As described above (see “CERTAIN INVESTMENT CONSIDERATIONS – Marine Terminal Services Agreements”), the Authority has entered into MTSAs with eight container carriers as described below. The MTSAs each have ten-year terms, and include a semiannual mechanism affording carriers discounts from certain tariff charges

based on cargo volume during the prior period. The MTSA's also include provisions that limit new tariff rates or charges applicable to these carriers to those required or made necessary by law or circumstances reasonably beyond the control of the Authority, and to changes in its current port security fee. In addition, the MTSA's limit annual tariff increases to increases in the Consumer Price Index. Although the MTSA's do not provide for extensions under the terms of the agreements, the Authority anticipates periodic renewal of the MTSA's to continue. In consideration for these provisions, carriers are obligated to meet commitments to deliver regional cargo to Authority terminals and achieve certain cargo volume amounts, and pay shortfall amounts or refund tariff discounts in case those commitments are not met.

### Marine Terminal Services Agreements

<u>Carrier Party</u>	<u>Effective Date</u>	<u>FMC Agreement No.</u>
CMA CGM S.A.	August 29, 2018	201270
Cosco Shipping Lines Co., Ltd. and Orient Overseas Container Line, Ltd.	April 27, 2022	Pending
Evergreen Line	May 17, 2018	201255
Hapag-Lloyd AG	January 18, 2018	201253
Maersk Line A/S	June 11, 2015	201229
Amended and restated by agreement with Maersk Line A/S		201229-001
Further amended and restated by agreement with Maersk Line A/S		201229-002
Mediterranean Shipping Co. S.A.	May 15, 2018	201252
Ocean Network Express Pte. Ltd.	August 1, 2020	201352
Zim Integrated Shipping Services Ltd.	May 10, 2018	201250

Source: The Authority.

Tariff changes as required or made necessary by federal law continue to be expected in connection with ongoing developments in the regulation of demurrage. See "CERTAIN INVESTMENT CONSIDERATIONS – Federal Shipping Law and the Federal Maritime Commission.

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## Operating Performance

As discussed under “– Authority Operations” and “– Authority Tariffs and Marine Terminal Services Agreements,” the Authority derives revenue from tariffs assessed on shipping activities (primarily wharfage and dockage), and from leases and rentals. The following table summarizes the sources of the Authority’s operating revenues by type for the past five Fiscal Years based on the lines of business described above.

**Table 6 – Operating Revenues by Type<sup>(a)</sup> (Dollar amounts in thousands; rounding differences may occur)**

	<u>2022</u>	<u>2021<sup>(c)</sup></u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Container Terminals	\$ 537,019	\$ 424,011	\$ 307,796	\$ 305,607	\$ 281,813
Turning Basin Terminals	79,338	59,699	49,606	54,928	59,015
Bulk	5,524	5,046	5,174	5,704	5,313
Leases	10,858	9,276	11,623	12,519	12,037
Other <sup>(b)</sup>	18,535	18,536	16,533	12,679	11,138
Total Operating revenues	<u>\$ 651,274</u>	<u>\$ 516,568</u>	<u>\$ 390,732</u>	<u>\$ 391,437</u>	<u>\$ 369,316</u>
Change from previous year	26%	32%	(0.2%)	6%	11%

<sup>(a)</sup> Revenue categories are aligned with internal management reporting.

<sup>(b)</sup> Other revenues include submerged lands leases, PTRAs revenues, and harbor fees associated with fire protection services.

<sup>(c)</sup> Restated as a result of the adoption of GASB Statement 87, *Leases*.

Source: The Authority.

The following table summarizes the Authority’s revenue producing cargo by type for the past five Fiscal Years.

**Table 7 – Revenue Cargo by Type<sup>(a)</sup>**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Revenue cargo statistics:</b>					
Container TEUs <sup>(b)</sup>	<u>3,975</u>	<u>3,453</u>	<u>3,001</u>	<u>2,990</u>	<u>2,702</u>
General cargo (short tons) <sup>(a)</sup>	41,928	34,438	31,708	34,074	31,653
Bulk cargo (short tons)	<u>13,133</u>	<u>10,095</u>	<u>9,980</u>	<u>9,063</u>	<u>9,210</u>
Total Revenue tonnage	<u>55,061</u>	<u>44,533</u>	<u>41,688</u>	<u>43,137</u>	<u>40,863</u>

<sup>(a)</sup> Includes container tonnage; short tons equal 2,000 pounds.

<sup>(b)</sup> Container TEUs reported in thousands.

Source: The Authority.

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## Top Ten Authority Customers

The following table provides a comparison of the top ten customers of the Authority for Fiscal Year 2022 and Fiscal Year 2013 with respect to operating revenue and the percentage of total operating revenue associated with each vessel and cargo customer for such Fiscal Years.

**Table 8 – Top Ten Authority Customers<sup>(a)</sup> (Ten-Year Comparison) (Dollar amounts in thousands)**

Customer	2022			2013		
	Revenue	Rank	% Operating Revenue	Revenue	Rank	% Operating Revenue
Maersk S/A	\$113,062	1	17%	\$28,793	1	12%
Mediterranean Shipping Co. (USA) Inc.	111,495	2	17	-		-
CMA-CGM (America), Inc.	68,848	3	11	15,389	3	7
Hapag-Lloyd AG	61,389	4	9	21,280	2	9
Houston Terminal LLC	37,848	5	6	7,609	7	3
ONE Line	26,375	6	4	-		-
Cosco North America Inc.	25,634	7	4	11,193	4	5
Texas Stevedoring Services, LLC	22,498	8	3			
Evergreen Shipping Agency	17,101	9	3	-		-
Terminal Link Texas, LLC	13,263	10	2			
Hamburg Sud North America	-		-	10,911	5	5
Ceres Gulf, Inc.	-		-	8,728	6	4
Shippers Stevedoring Company	-		-	6,070	8	3
Maersk, Inc. - Lease	-		-	5,636	9	2
Seaboard Marine, LTD.	-		-	5,555	10	2
<b>Total Revenue for Top Ten Customers</b>	<b>\$497,963</b>		<b>76%</b>	<b>\$121,164</b>		<b>52%</b>
<b>Total Operating Revenue</b>	<b>\$651,274</b>			<b>\$231,546</b>		

<sup>(a)</sup> Schedule 10 of the Revenue Capacity Disclosures included in the Required Supplementary Information Section of the Authority's Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021, ranks and reports customer revenue as a percentage of the Vessel and Cargo category of revenues. This contrasts with Table 8, which reflects all customers of the Authority and is expressed as a percentage of total operating revenues. On a going-forward basis, the Authority plans to present the information as shown in this Table 8 in order to provide a more comprehensive view of the Authority's operations.  
Source: The Authority.

The Authority's top ten customers accounted for approximately 76% and 64% of its total operating revenues in Fiscal Years 2022 and 2021, respectively. The largest customer accounted for approximately 17% and 13% of the Authority's total operating revenues in Fiscal Years 2022 and 2021, respectively. See "CERTAIN INVESTMENT CONSIDERATIONS – Concentration of Customer Base" and "CERTAIN INVESTMENT CONSIDERATIONS – Concentration of Revenues from Business Lines."

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## Top Ten Authority Exporters and Importers

The following table sets forth the top ten Authority exporters and importers for Fiscal Year 2022.

**Table 9 – Top Ten Authority Exporters and Importers**

<b><u>Exporters</u></b> <sup>(a)</sup>	<b><u>TEUs</u></b>
ExxonMobil	53,419
Shintech Inc.	32,194
Vinmar International	21,675
Montachem International	15,101
Allenberg Cotton	12,459
Muehlstein International	12,084
Olam Agri America	8,576
Fleur de Lis Worldwide	7,664
Fondomonte Arizona	7,188
World Food Programme	6,677

<b><u>Importers</u></b> <sup>(a)</sup>	<b><u>TEUs</u></b>
LG Electronics	16,081
Walmart	14,879
IKEA	14,264
RTG Furniture	12,490
Heineken	10,900
Steve Silver	9,789
Crown Cork & Seal	8,093
Tramontina USA	7,186
Continental Tire	6,439
Plychem USA	6,421

<sup>(a)</sup> Top ten Authority exporters and importers represent 9.0% and 5.3% of Authority export and import TEU volume, respectively.  
Source: PIERIS.

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## Top Ten Authority Tenants

The following table sets forth gross rental revenue amounts paid to the Authority by its top ten tenants for Fiscal Year 2022.

**Table 10 – Top Ten Authority Tenants (Dollar amounts in thousands)**

Tenant <sup>(a)</sup>	Revenue	% Lease Revenue
Richardson Steel Yard, Inc. <sup>(b)</sup>	\$7,568	20%
Enterprise	7,313	13%
Kinder Morgan	4,812	9%
Cooper/Ports America, LLC	4,669	8%
Jacintoport International LLC	4,256	8%
TPC Group LLC	2,804	5%
Volkswagen Group of America, Inc	2,663	5%
Texas Stevedoring Services, LLC	1,321	2%
Gulf Stream Marine, Inc.	1,293	2%
CB&I LLC	<u>1,262</u>	<u>2%</u>
<b>Total Revenue for Top Ten Tenants</b>	<b><u>\$37,961</u></b>	<b><u>74%</u></b>
<b>Total Lease Revenue<sup>(c)</sup></b>	<b><u>\$56,328</u></b>	

<sup>(a)</sup> Revenues reported under the tenant names referenced may include affiliate tenant lease revenues.

<sup>(b)</sup> In March 2023, Enstructure LLC (“Enstructure”) acquired substantially all of the assets of the Richardson Companies, which included Richardson Steel Yard, Inc. and other affiliate tenants. The assets acquired included, among other things, all lease agreements between the Authority and the Richardson Companies. Following the approval of the Port Commission and upon the closing of this acquisition, all such lease agreements were assigned from the various Richardson Companies to an affiliate of Enstructure, who became the new tenant under such lease agreements. As of the date of this Official Statement, the operations and management as they were under the Richardson Companies has remained substantially unchanged following the acquisition by Enstructure.

<sup>(c)</sup> In “—Table 6 – Operating Revenues by Type,” these lease revenues are included within the category of Leases and also within the categories Container Terminals, Turning Basin Terminals, Bulk, and Other. In “FINANCIAL DATA – Table 11 – Statement of Revenues, Expenses and Changes in Net Position,” these lease revenues are included within the categories of Vessel and Cargo Services, Bulk Materials, and Other.

Source: The Authority.

## 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.

Many of these opportunities continue to result from expansion of the Panama Canal, which was completed in June 2016 and provides improved supply-chain reliability and economies of scale, reducing the cost of maritime trade between the Pacific Rim and regions in the Western Hemisphere. By increasing the waterway’s capacity to meet shippers’ growing demand for larger Super-Post-Panamax size vessels, known as “Neo-Panamax class” (15,000 TEUs nominal capacity), the resulting economies of scale have reduced the per-unit cost of shipping containers between the Atlantic and Gulf of Mexico ports, and Asia (primarily East Asia), the west coast of South America, and the southern ports of Central America. The U.S. East Coast and Gulf Coast markets, including the Houston region, have benefited from this more efficient trade link.

More particularly, the expansion of the Panama Canal has helped support a significant increase in the Authority’s containerized cargo volumes, and the Authority is continuing to add capacity at Bayport Container Terminal and is redeveloping Barbour’s Cut Terminal to accommodate this demand. Additionally, shipping lines continue to work with the Authority to bring in larger container vessels to Port Facilities. Since 2011, Authority terminals have received ships with capacities to carry over 8,000 TEUs, but the future growth of Neo-Panamax vessels continues to require significant terminal and waterway improvements, including Project 11.

For the Fiscal Year ended December 31, 2022, excluding bond-related proceeds, the Authority had approximately \$398.2 million in unrestricted cash and investments on hand and approximately \$432.2 million of

restricted and reserved cash on hand, which – when combined – equates to approximately 1,034 days cash on hand. During Fiscal Year 2022, the Authority expended approximately \$217.0 million of available cash on capital improvements. Such improvements were funded primarily from the Authority’s general fund.

The following information generally describes the Authority’s projected capital spending plan for its Capital Improvement Program (“Capital Improvement Program” or “CIP”) and major initiatives at its Port Facilities.

**Projected Capital Spending Plan (Dollar amounts in thousands)**

	<b>Authority Fiscal Year</b>				
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Bayport Container Terminal	\$ 179,102	\$ 109,124	\$ 94,910	\$ 180,355	\$ 152,800
Barbours Cut Container Terminal	296,828	102,387	192,315	25,650	24,280
Channel Maintenance and Houston Ship Channel Cost Share	11,160	18,220	6,120	21,483	1,290
Turning Basin Terminals	36,000	26,755	2,610	16,425	63,875
Real Estate	26,368	55,155	8,250	5,000	5,000
Maintenance	6,490	20,939	4,845	1,576	3,270
Technology	8,328	14,913	10,670	5,500	800
Bayport Railroad	5,400	12,000	-	-	-
Other	9,010	20,340	6,708	7,149	6,598
Subtotal Operating Capital	<u>578,686</u>	<u>379,853</u>	<u>326,428</u>	<u>263,138</u>	<u>257,913</u>
Project 11	98,732	36,413	-	-	-
<b>Total New Capital Investment</b>	<b><u>\$ 677,418</u></b>	<b><u>\$ 416,266</u></b>	<b><u>\$ 326,428</u></b>	<b><u>\$ 263,138</u></b>	<b><u>\$ 257,913</u></b>

Source: The Authority, as shown in the Capital Improvement Project Five-Year forecast as of November 18, 2022.

The following schedule generally describes the anticipated timing of the Authority’s expenditures for its Capital Improvement Program as well as the anticipated sources of funds for such expenditures. The Authority currently forecasts using unrestricted cash to minimize borrowing while retaining sufficient capacity to execute its Capital Improvement Program. The schedule does not anticipate the use of any ad valorem tax-supported debt in connection with the funding of the Capital Improvement Program. The projections contained below are forward-looking statements. Readers should not place undue reliance on forward-looking statements. This information is based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The actual results of the Authority could differ materially from those in such forward-looking statements. See “FORWARD-LOOKING STATEMENTS.”

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## Sources and Uses (Dollar amounts in thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Five-year 2023-2027</u>
<b>Sources<sup>(a)</sup></b>						
Authority PAYGO <sup>(b)</sup>	\$ 327,294	\$ 534,965	\$ 432,925	\$ 281,751	\$ 230,719	\$ 1,807,654
Grant funding <sup>(c)</sup>	27,427	20,712	31,458	15,115	13,855	108,567
Revenue bond proceeds <sup>(d)</sup>	354,937	312,136	19,100	13,827	-	700,000
<b>Subtotal Sources</b>	<b>\$ 709,658</b>	<b>\$ 867,813</b>	<b>\$ 483,483</b>	<b>\$ 310,693</b>	<b>\$ 244,574</b>	<b>\$ 2,616,221</b>
<b>Uses</b>						
Authority CIP expenditures	\$ 354,721	\$ 555,677	\$ 464,383	\$ 296,866	\$ 244,574	\$ 1,916,221
Project 11 expenditures	354,937	312,136	19,100	13,827	-	700,000
<b>Subtotal Uses</b>	<b>\$ 709,658</b>	<b>\$ 867,813</b>	<b>\$ 483,483</b>	<b>\$ 310,693</b>	<b>\$ 244,574</b>	<b>\$ 2,616,221</b>

<sup>(a)</sup> The Authority has a \$100 million Third Lien Note Program and a \$300 million Third Lien Revenue ECP Program available for additional liquidity. As of the date of this Official Statement, no notes are outstanding under the Third Lien Note Program or the Third Lien Revenue ECP Program, and the Authority is not forecasting the use of the Third Lien Note Program or the Third Lien Revenue ECP Program in the schedule.

<sup>(b)</sup> Pay-as-you-go sources include cash generated by operations and unrestricted cash.

<sup>(c)</sup> Grant funds are reimbursement based, thus actual timing of inflow is tied to the execution of the underlying capital project schedule.

<sup>(d)</sup> Includes a portion of the proceeds from the Series 2021 Bonds and the Bonds to finance the Authority's share of costs associated with Project 11. The schedule shows estimated expenditures of revenue bond proceeds.

Source: The Authority.

**Turning Basin Terminals.** To add to the economic value of the Authority's Turning Basin operations, construction is underway to repurpose older facilities and to expand capacity. Condition assessments of docks at the multi-purpose cargo facilities are central to determinations as to whether repairs are necessary and if potential improvements would provide an economic return for the Authority.

Since 2020, the Authority has invested capital expenditures of approximately \$25.0 million in projects on the northside of the Turning Basin, including rehabilitation of the wharves at "City Docks" 8 and 9, replacement of a transit shed roof at City Docks 30 and 31, construction of restrooms at all transit shed docks and City Docks 8 and 32, and other infrastructure projects at the Turning Basin.

On the southside of the Turning Basin, the Authority has invested capital expenditures of approximately \$8.0 million in 2022, including construction of a fender system at City Dock 1 West and rehabilitation of Wharves 47, 48, and 1 East.

**Barbours Cut Terminal.** The Authority has completed the expansion of the truck entrance gate as well as the reconstruction and rehabilitation of Container Yard 3 at Barbours Cut Terminal. Rehabilitation of the yard spaces provides increases in operational efficiencies and safety for all users of the facilities. Proper phasing of this rehabilitation helps Barbours Cut Terminal maintain current operating capacity during construction activities.

Reconstruction of Container Yards 4 and 5 North began in the middle of 2022, and the Authority anticipates an estimated completion during the first quarter of 2024. Additional yard reconstruction phases in Container Yards 6 and 7 will begin in early 2024 as part of the overall rehabilitation of Barbours Cut Terminal.

Yard cranes will arrive towards the end of 2023 to support Barbours Cut Terminal's continuous operation. Barbours Cut Terminal now includes 16 STS cranes (consisting of seven Neo-Panamax cranes, three Super-Post-Panamax cranes, five Post Panamax cranes, and one training STS crane) and 50 RTG container yard cranes. These cranes support vessels of various sizes along the wharves. In 2023, the Authority expects to award contracts for the reconstruction of Wharves 4 and 5 and the purchase of five additional RTG cranes.

Over the next five years, the Authority anticipates capital improvements at the Barbours Cut Terminal to total approximately \$650.0 million for redevelopment.

***Bayport Container Terminal.*** The Authority continues to develop the Bayport Container Terminal to accommodate the expanding needs of existing and new customers. The construction of Wharf 6 began in the middle of 2021 and has continued through 2023. This project was awarded additional funding to accelerate completion and is expected to be completed in late 2023. The construction of Wharf 7 will begin in the middle of 2023 to expand the wharves and create more vessel capacity.

In late 2022, design efforts began for an exit gate expansion to accommodate and support the additional yard and wharf capacity and the growing number of trucks accessing Bayport Container Terminal, which are expected to result in increased exit gate activity. Port Road was expanded throughout 2022 and was completed during the first quarter of 2023. Development projects south of Port Road commenced during 2022. One yard was completed in May 2022 and a second year was completed in November 2022, both to help service and store customer containers.

The Bayport Container Terminal is currently home to six Super-Post-Panamax STS cranes, six Post-Panamax STS cranes, and 66 RTG cranes. The Authority's Super Post Panamax cranes are the largest on the Gulf Coast with three new cranes scheduled to arrive the mid-2023. The Authority expects to award contracts for purchase of an additional four wharf cranes in 2023 to support Wharf 7. The construction of Container Yards 1 North and Middle began in January 2023 and is expected to result in 42 acres of new yard capacity.

Over the next five years, the Authority anticipates capital improvements at the Bayport Container Terminal to total approximately \$740.0 million to keep up with growing demand.

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## FINANCIAL DATA

The following table presents the Authority's Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years 2018 through 2022 as published in the Authority's Annual Comprehensive Financial Report.

**Table 11 – Statement of Revenues, Expenses and Changes in Net Position (Dollar amounts in thousands; rounding differences may occur)**

	2022	2021 <sup>(a)</sup>	2020 <sup>(b)</sup>	2019 <sup>(c)</sup>	2018
<b>Operating revenues</b>					
Vessel and cargo services	\$ 614,714	\$ 483,477	\$ 357,386	\$ 365,086	\$ 344,272
Rental of equipment and facilities	22,886	19,500	21,665	18,065	18,079
Grain elevator	1,237	1,035	1,263	1,439	1,182
Bulk materials	4,288	4,012	3,911	4,265	4,131
Other	8,149	8,544	6,507	2,582	1,652
Total operating revenues	<u>651,274</u>	<u>516,568</u>	<u>390,732</u>	<u>391,437</u>	<u>369,316</u>
<b>Operating expenses</b>					
Maintenance and operations of facilities	236,575	193,869	178,606	177,121	157,524
General and administrative	55,734	48,582	46,225	50,420	49,608
Depreciation and amortization	84,609	80,723	77,829	74,020	72,027
Total operating expenses	<u>376,918</u>	<u>323,174</u>	<u>302,660</u>	<u>301,561</u>	<u>279,159</u>
<b>Operating income</b>	274,356	193,394	88,072	89,876	90,157
<b>Nonoperating revenues (expenses)</b>					
Investment income	10,428	1,042	9,810	13,017	9,319
Contributions to state and local agencies	(8,414)	(10,985)	(235)	(4,327)	(2,095)
Loss on disposal of assets	(33)	(36)	(126)	(4)	(1)
Other, net	2,615	4,864	833	1,175	(1,095)
Total nonoperating revenues	<u>4,596</u>	<u>(5,115)</u>	<u>10,282</u>	<u>9,861</u>	<u>6,128</u>
<b>Income before nonoperating revenues (expenses) related to property taxes</b>	278,952	188,279	98,354	99,737	96,285
<b>Nonoperating revenues (expenses) related to property taxes</b>					
Property taxes, net of estimated uncollectible amounts	44,961	43,702	48,965	51,060	50,951
Investment income on bond proceeds	531	30	349	967	721
Interest expense on unlimited tax bonds	(13,002)	(13,483)	(23,526)	(24,451)	(28,927)
Property tax collection expense	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Other, net	(417)	(355)	(384)	(410)	(420)
Total nonoperating revenues related to property taxes	<u>30,973</u>	<u>28,794</u>	<u>24,304</u>	<u>26,066</u>	<u>21,225</u>
<b>Income before capital contributions</b>	309,925	217,073	122,658	125,803	117,510
<b>Capital contributions from federal agencies</b>	10,030	16,287	5,188	1,772	5,219
<b>Change in net position</b>	<u>319,955</u>	<u>233,360</u>	<u>127,846</u>	<u>127,575</u>	<u>122,729</u>
<b>Net position, January 1</b>	<u>2,000,139</u>	<u>1,766,779</u>	<u>1,638,933</u>	<u>1,511,358</u>	<u>1,388,629</u>
<b>Net position, December 31</b>	<u>\$ 2,320,094</u>	<u>\$ 2,000,139</u>	<u>\$ 1,766,779</u>	<u>\$ 1,638,933</u>	<u>\$ 1,511,358</u>

<sup>(a)</sup> Restated as a result of the adoption of GASB Statement 87, *Leases*.

*Note: Footnotes continue on the next page.*

*Continuation of footnotes for Table 11 – Statement of Revenues, Expenses and Changes in Net Position:*

<sup>(b)</sup> Table 11 of the Additional Bond Disclosures in the Authority’s Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021 contained a scrivener’s error in the line item for operating revenues reported under “Rental of equipment and facilities.” The table above corrects the “Rental of equipment and facilities” line item for the Fiscal Year ended December 31, 2020.

<sup>(c)</sup> Table 11 of the Additional Bond Disclosures included in the Required Supplementary Information Section of the Authority’s Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021 contained a scrivener’s error in the line item for operating revenues reported under “Vessel and cargo services” that carried through the calculations in the table. The table above corrects the information for the Fiscal Year ended December 31, 2019.

Source: Required Supplementary Information Section of the Authority’s Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021.

## **Financial Statements**

APPENDIX C to this Official Statement contains the audited financial statements of the Authority as of and for the Fiscal Years ended December 31, 2022 and December 31, 2021. The financial statements of the Authority as of and for the Fiscal Years ended December 31, 2022 and December 31, 2021 included in this Official Statement have been audited by FORVIS, LLP, independent auditors (“FORVIS”), as stated in its report appearing herein. FORVIS, the Authority’s independent auditor, has not reviewed, commented on, or approved, and such firm is not associated with, this Official Statement. The report of FORVIS relating to the Authority’s financial statements as of and for the Fiscal Years ended December 31, 2022 and December 31, 2021 is included in this Official Statement in APPENDIX C; however, FORVIS, 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.

## **Accounting and Annual Budget**

The Authority’s Fiscal Year begins on January 1 and ends on December 31 of each year. An annual operating budget and one-year capital plan is developed by Authority staff and presented to the Port Commission for approval. By statute, the Port Commission must adopt an annual budget and one-year capital plan. In addition, Authority staff prepares a mid-range (five-year) plan that is presented to the Port Commission.

## **Retirement Plans and Other Post-Employment Benefits**

***Defined Benefits Plan.*** The Authority sponsors the Port of Houston Authority Restated Retirement Plan (the “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 the Plan’s investment policy. PNC Bank serves as trustee of the Plan. The Plan issues a standalone financial report that is available on the Authority’s website available at [www.porthouston.com](http://www.porthouston.com). The Authority’s payroll for employees covered by the Plan for the Plan’s fiscal years ended July 31, 2022 and 2021 was \$28,850,515 and \$28,395,351, respectively.

Plan participants vest after completing 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 \$4,050,500 and \$5,834,000 during the Plan's fiscal years ending July 31, 2022 and 2021, respectively. At the time of an actuarial valuation dated August 1, 2022, the funded ratio of the Plan was 89.4%. For additional information on the Plan, actuarial assumptions and contributions, see "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 8."

**Defined Contribution Plan.** In July 2012, the Port Commission authorized creation of the Port of Houston Authority Defined Contribution Plan (the "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 Chief Operating Officer serves as trustee. The Port Commission maintains and has recently exercised its 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 of 1986, as amended, 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 salary. The Authority contributed \$2,158,794.00 and \$1,473,824.25 during the DC Plan's fiscal years ended July 31, 2022 and 2021, respectively. For additional information on the DC Plan, see "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 8."

**Other Post-Employment Benefits.** In January 2019, the Port Commission formally approved a policy to provide certain post-employment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). There were 317 retirees eligible for these benefits as of the two-year period ending December 31, 2021. The Authority funded all of the premiums for retiree life insurance and the majority of the health insurance premiums from the inception of the OPEB Plan through July 31, 2020. Beginning August 1, 2020, these retiree life and health insurance expenses were paid directly from the OPEB Plan trust.

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 Advantage 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.

Prior to August 1, 2020, the Authority's additional contribution to the OPEB Plan was based on a pay-as-you-go basis. For the Fiscal Years ended December 31, 2022 and 2021, the cost of retiree health benefits paid directly from the OPEB Plan was \$2,058,437 and \$2,272,654, respectively. Basic life insurance coverage provided to retirees is based upon the retirees' annual compensation at retirement and, effective January 1, 2020, is valued at a flat \$15,000. Retiree life-benefit costs paid from the OPEB Plan for Fiscal Years 2022 and 2021 were \$140,281 and \$141,397, respectively.

Effective January 1, 2010, new hires became eligible for post-employment 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 post-employment benefits. An eligible employee may elect coverage for his or her dependents. Disabled employees are covered, for a period of up to 40 weeks, 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.

In addition to the Authority's pay-as-you-go payments referenced above for benefit costs incurred through July 31, 2020, the Authority has contributed \$67,877,000 to the OPEB Plan trust from inception of the OPEB Plan through December 31, 2022. The Authority plans to contribute at least up to the Actuarial Determined Contribution ("ADC") in 2023 depending on the funded ratio. If the funded ratio is greater than 125%, the ADC will be zero.

At December 31, 2022, the OPEB Plan maintained a fiduciary net position as a percent of total OPEB liability of 145%. For additional information on the annual OPEB cost and net OPEB obligation, actuarial assumptions and contributions, see “APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 9.”

## INVESTMENTS

The Authority may invest its funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the Authority or obligations under a lease, installment sale, or other agreement of the Authority), subject to investment, in such investments as are authorized by State law, and in accordance with written investment policies approved by the Port Commission. Both State law and the Authority’s investment policies are subject to change.

The Director of 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. Meeder Public Funds, 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 State law and in accordance with investment policies approved by the Authority. Both State law and the Authority’s investment policies are subject to change. In accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the “PFIA”), the Authority is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 or insured by or backed by the full faith and credit of, the State 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by Subdivision (7) if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025 of the PFIA; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity’s custodian of the banking deposits issued for the entity’s account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the PFIA; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the PFIA that are issued by or through an institution that has either its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in accordance with Chapter 2257, Texas Government Code 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 and is selected from a list adopted by the Authority as required by law or (II) a depository institution that has its main office or a branch office in the State 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 (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority; (10) fully collateralized repurchase agreements as defined in the PFIA that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph require the securities being purchased by the Authority or cash held by the Authority to be 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; (11) certain bankers' acceptances with a stated maturity of 270 days or less, that will be, in accordance with their terms, liquidated in full at maturity; that are eligible for collateral for borrowing from a Federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less 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; (13) no-load money market mutual funds registered with and regulated by the SEC that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), and comply with federal SEC Rule 2a-7; and (14) no-load mutual funds registered with the SEC that: have an average weighted maturity of less than two years; and either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below; and is pledged to the Authority and deposited with the Authority or with a third party selected and approved by the Authority.

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 (8) above, other than the prohibited obligations described below, (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 (8) above, clauses (12) through (14) 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 is placed through either a primary government securities dealer or a financial institution doing business in the State; 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 by at least one nationally recognized rating service if the governing body of the Authority authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016 of the PFIA.

The Authority may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or (y) with the Texas 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. In order to renew or extend such a contract, the Authority must do so by order, ordinance, or resolution.

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.

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## Current Investment Distribution

As of June 30, 2023, the market value of the Authority’s operating funds investment portfolio was approximately \$788.4 million. The following percentages of the Authority’s operating funds subject to investment were invested in the following categories of investments. The weighted average maturity of such investments was 136 days based on par value. The Authority’s investments in U.S. Government Agencies securities are callable.

**Table 12 – Current Investment Distribution<sup>(a)</sup>**

U.S. Government Agencies Securities <sup>(b)</sup>	38%
Local Government Investment Pools	35%
Commercial Paper	13%
Municipal Bonds	5%
U.S. Treasury Securities	6%
Interest Bearing Bank Deposits <sup>(c)</sup>	3%
<b>TOTAL</b>	<b>100%</b>

<sup>(a)</sup> Unaudited information as reported by the Authority as of June 30, 2023.

<sup>(b)</sup> Includes Federal Farm Credit Banks and Federal Home Loan Banks.

<sup>(c)</sup> Collateralized in accordance with the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

Source: The Authority.

## Insurance

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 all-risk perils that could damage or destroy assets and result in loss of revenue should specific assets be impaired for an extended period of time. Casualty exposures include potential losses resulting from third-party claims for bodily injury, property damage, breach of contract, employment actions, and errors and omissions arising from the Authority’s employees, operations and/or ownership of its assets, as well as workers’ compensation claims. These potential exposures are managed by both commercial and self-insurance.

Effective March 1, 2010, the Authority began self-insuring certain risks. The Authority’s current self-insured retention limit is \$350,000 for liability claims, \$500,000 for workers’ compensation claims, and \$750,000 for police and fire workers’ compensation. The Authority has unlimited excess coverage (referred to as “statutory limits” coverage) for any workers’ compensation claim that exceeds its self-insured retention. See “APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 10” for additional information on Risk Management.

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## DEBT INFORMATION

### Debt Service Schedule

The Bonds will be the second series of First Lien Obligations issued under the Master Resolution. The following table sets forth the projected debt service requirements for the Bonds and total projected debt service for First Lien Obligations.

**Table 13 – Debt Service Schedule**

<u>Fiscal</u> <u>Year</u>	Total Debt Service on Outstanding First Lien Obligations	The Bonds		<u>Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	
2023	\$ 19,875,250	—	\$ 1,694,602	\$ 21,569,852
2024	19,877,000	\$ 5,925,000	19,679,250	45,481,250
2025	19,875,250	6,220,000	19,383,000	45,478,250
2026	19,874,500	6,530,000	19,072,000	45,476,500
2027	19,874,000	6,860,000	18,745,500	45,479,500
2028	19,873,000	7,200,000	18,402,500	45,475,500
2029	19,875,750	7,560,000	18,042,500	45,478,250
2030	19,876,250	7,940,000	17,664,500	45,480,750
2031	19,873,750	8,335,000	17,267,500	45,476,250
2032	19,872,500	8,750,000	16,850,750	45,473,250
2033	19,876,500	9,190,000	16,413,250	45,479,750
2034	19,874,500	9,650,000	15,953,750	45,478,250
2035	19,875,750	10,130,000	15,471,250	45,477,000
2036	19,875,350	10,640,000	14,964,750	45,480,100
2037	19,874,550	11,170,000	14,432,750	45,477,300
2038	19,872,750	11,730,000	13,874,250	45,477,000
2039	19,874,350	12,315,000	13,287,750	45,477,100
2040	19,873,550	12,930,000	12,672,000	45,475,550
2041	19,874,750	13,580,000	12,025,500	45,480,250
2042	19,875,250	14,255,000	11,346,500	45,476,750
2043	19,873,250	14,970,000	10,633,750	45,477,000
2044	19,875,850	15,720,000	9,885,250	45,481,100
2045	19,872,050	16,505,000	9,099,250	45,476,300
2046	19,876,250	17,330,000	8,274,000	45,480,250
2047	19,872,250	18,195,000	7,407,500	45,474,750
2048	19,873,750	19,105,000	6,497,750	45,476,500
2049	19,876,250	20,060,000	5,542,500	45,478,750
2050	19,872,750	21,065,000	4,539,500	45,477,250
2051	19,876,500	22,115,000	3,486,250	45,477,750
2052	—	23,225,000	2,380,500	25,605,500
2053	—	24,385,000	1,219,250	25,604,250
	<u>\$576,363,450</u>	<u>\$393,585,000</u>	<u>\$376,209,352</u>	<u>\$1,346,157,802</u>

## First Lien Debt Service Coverage

The following table provides a summary of the Net Revenues available to pay debt service for the Fiscal Years 2018 through 2022. The Authority did not have any revenue debt outstanding during the Fiscal Years 2018 through 2020.

**Table 14 – Historical Net Revenue Available for Debt Service (Dollar amounts in thousands)<sup>(a)</sup>**

	<u>2022</u>	<u>2021<sup>(c)</sup></u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating Revenues<sup>(b)</sup></b>					
Container Terminals	\$ 537,019	\$ 424,011	\$ 307,796	\$ 310,042	\$ 285,460
Turning Basin					
Terminals	79,338	59,699	49,606	54,928	59,015
Bulk	5,524	5,046	5,174	5,704	5,313
Leases	10,858	9,276	11,623	8,084	8,390
Other	18,535	18,536	16,533	12,679	11,138
Total	<u>651,274</u>	<u>516,568</u>	<u>390,732</u>	<u>391,437</u>	<u>369,316</u>
<b>Nonoperating Revenues</b>					
(Expenses)	<u>6,138</u>	<u>(2,682)</u>	<u>10,327</u>	<u>8,756</u>	<u>5,377</u>
<b>Gross Revenues</b>	<u>657,412</u>	<u>513,886</u>	<u>401,059</u>	<u>400,193</u>	<u>374,693</u>
<b>Less:</b>					
Operating Expenses	236,575	193,869	178,606	177,121	153,724
G&A Expenses	<u>55,734</u>	<u>48,582</u>	<u>46,225</u>	<u>50,420</u>	<u>49,608</u>
Total Operation and Maintenance Expenses	<u>292,309</u>	<u>242,451</u>	<u>224,831</u>	<u>227,541</u>	<u>203,332</u>
<b>Net Revenues Available For Debt Service on Revenue Obligations</b>	<u>\$ 365,103</u>	<u>\$ 271,435</u>	<u>\$ 176,228</u>	<u>\$ 172,652</u>	<u>\$ 171,361</u>
<b>Annual Debt Service on Outstanding First Lien Obligations<sup>(d)</sup></b>	\$17,316				
<b>First Lien Debt Service Coverage on Annual Debt Service<sup>(d)</sup></b>	21.1x				
<b>Maximum Annual Debt Service on Outstanding First Lien Obligations<sup>(d)</sup></b>	\$19,877				
<b>First Lien Debt Service Coverage on Maximum Annual Debt Service<sup>(d)</sup></b>	18.4x				

<sup>(a)</sup> The presentation of information in this table has been modified from that contained in Table 14 of the Additional Bond Disclosures included in the Required Supplementary Information Section of the Authority's Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021. The modified presentation is intended to better align Table 14 with the Resolution. The reported Net Revenues Available for Debt Service on Revenue Obligations has been reduced for the years ending December 31, 2022 and 2021 due to the removal of interest on revenue bond proceeds from the calculation of Net Revenues Available for Debt Service on Revenue Obligations.

<sup>(b)</sup> Revenue categories are aligned with internal management reporting.

Note: Footnotes continue on the next page.

Continuation of footnotes for Table 14 – Historical Net Revenue Available for Debt Service:

<sup>(c)</sup> Restated as a result of the adoption of GASB Statement 87, *Leases*.

<sup>(d)</sup> The Authority issued its Series 2021 Bonds in November of 2021. The Series 2021 Bonds were the first issuance of First Lien Obligations under the Master Resolution. Represents the Annual Debt Service or Maximum Annual Debt Service on the Series 2021 Bonds.

Source: The Authority.

### Projected Operating Results and Debt Service Coverage

The following table presents, among other things, the Authority’s projected Gross Revenues, Operation and Maintenance Expenses, Net Revenues Available for Debt Service and Debt Service Coverage for the Fiscal Years 2023 through 2027. The projections contained below are forward-looking statements. Readers should not place undue reliance on forward-looking statements. This information is based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The actual results of the Authority could differ materially from those in such forward-looking statements. See “FORWARD-LOOKING STATEMENTS.”

**Table 15 – Projected Operating Results and First Lien Debt Service Coverage (Dollar amounts in thousands; rounding differences may occur)**

Fiscal Year	Gross Revenues <sup>(a)</sup>	Operation and Maintenance Expenses <sup>(b)</sup>	Net Revenues Available for Debt Service <sup>(c)</sup>	Debt Service Requirements		Total Annual Debt Service on First Lien Obligations	Projected Annual Debt Service Coverage on First Lien Obligations <sup>(d)</sup>
				Outstanding First Lien Obligations	The Bonds		
2023	\$619,112	\$319,410	\$299,702	\$19,875	\$1,695	\$21,570	13.9x
2024	618,273	317,722	300,551	19,877	25,604	45,481	6.6x
2025	637,872	325,042	312,830	19,875	25,603	45,478	6.9x
2026	659,512	333,812	325,700	19,875	25,602	45,477	7.2x
2027	683,361	344,248	339,113	19,874	25,606	45,480	7.5x

<sup>(a)</sup> Gross Revenues represent all projected revenues, income and receipts, including interest income, and any other revenues as defined in the Resolution. Fiscal Year 2023 Gross Revenues reflect current forecast for the Fiscal Year. The compounded annual growth rate (“CAGR”) for Fiscal Years 2023 through 2027 is projected to be 2.5% and is primarily impacted by container terminal volume growth. The CAGR for the Turning Basin Terminals for Fiscal Years 2023 through 2027 are projected at 4.9% annually. The reported Gross Revenues amount for Fiscal Year 2023 differs from the information provided in Table 15 of the Additional Bond Disclosures included in the Required Supplementary Information Section of the Authority’s Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021 due to the removal of interest on revenue bond proceeds from the calculation of Gross Revenues.

<sup>(b)</sup> Operation and Maintenance Expenses represent projected Operation and Maintenance Expenses as defined in the Resolution. Expense profiles generally follow the operating revenue profile, as approximately 80% of expenses are linked with operations. Operation and Maintenance Expenses in Fiscal Years 2023 through 2027 are projected to increase at a CAGR of 1.9%. General and administrative (“G&A”) overhead expenses are projected at a 3% growth rate assumption from Fiscal Years 2023 through 2027.

<sup>(c)</sup> Net Revenues Available for Debt Service illustrate a CAGR of 3.1% over this time horizon. The Net Revenues Available for Debt Service amount for Fiscal Year 2023 differs from the information provided in Table 15 of the Additional Bond Disclosures included in the Required Supplementary Information Section of the Authority’s Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021 due to the removal of interest on revenue bond proceeds from the calculation of Gross Revenues and Net Revenues Available for Debt Service.

<sup>(d)</sup> The Projected Annual Debt Service Coverage on First Lien Obligations for Fiscal Year 2023 differs from the information provided in Table 15 of the Additional Bond Disclosures included in the Required Supplementary Information Section of the Authority’s Annual Comprehensive Financial Report for the years ended December 31, 2022 and 2021 due to the removal of interest on revenue bond proceeds from the calculation of Gross Revenues and Net Revenues Available for Debt Service.

### Third Lien Revenue Note Program

In October 2021, the Authority entered into a five-year, \$100 million third lien variable rate revolving note program with Truist Bank and BB&T Community Holdings Co. (the “Third Lien Note Program”). The Third Lien

Note Program provides liquidity for additional opportunities or requirements for capital infrastructure or investments. Under the Third Lien Note Program, the Authority may issue either taxable or tax-exempt variable rate notes (the “Notes”) in an aggregate principal amount not to exceed \$100,000,000. To provide security for payment of principal of and interest on the Notes, the Authority has pledged (i) proceeds from (a) the sale or exchange of other Notes issued for the purposes of refunding, refinancing, renewing, replacing or redeeming the Notes and (b) the sale of one or more series of Obligations by the Authority for the purposes of refunding, refinancing, renewing, replacing or redeeming the Notes, and (ii) a third lien on the Net Revenues of the Authority as provided in the Master Resolution and First Supplemental Resolution. There are no Notes currently outstanding under the Third Lien Note Program. The Authority currently expects that permanent financing for any notes issued under the Third Lien Note Program will be provided through the refunding of such notes with First Lien Obligations.

### **Third Lien Revenue ECP Program**

In April 2022, the Authority established a \$300 million third lien revenue extendible commercial paper program (the “Third Lien Revenue ECP Program”). Under the Third Lien Revenue ECP Program, the Authority can issue Third Lien Revenue Extendible Commercial Paper Notes, Series A-1 (Tax-Exempt) and Third Lien Revenue Extendible Commercial Paper Notes, Series A-2 (Taxable) (the “ECP Notes”). The Authority has not entered into a liquidity agreement in connection with the Third Lien Revenue ECP Program, and any ECP Notes issued under the program are not supported by any liquidity facility. The ECP Notes are special obligations of the Authority constituting Third Lien Obligations. The ECP Notes are payable from and are secured by a pledge of and lien on the Net Revenues; provided that the lien securing the ECP Notes is subordinate to the lien securing the First Lien Obligations (including the Bonds) and Second Lien Obligations that the Authority may issue from time to time under the Master Resolution. The lien securing the ECP Notes is on parity with the other Third Lien Obligations the Authority may issue from time to time. The ECP Notes are and shall be secured by and payable only from (i) the proceeds from (a) the sale or exchange of other ECP Notes issued for the purpose of refunding, refinancing, renewing, replacing, or redeeming ECP Notes and (b) the sale of one or more series of obligations by the Authority for the purpose of refunding, refinancing, renewing, or redeeming ECP Notes and (ii) ratably with the other Third Lien Obligations Outstanding from time to time, a lien on the Net Revenues, subject only to the prior and superior liens of the First Lien Obligations (including the Bonds) and the Second Lien Obligations, and the funds and accounts as more specifically provided in the Master Resolution. There are no ECP Notes currently outstanding under the Third Lien Revenue ECP Program. The Authority currently expects that permanent financing for any notes issued under the Third Lien Revenue ECP Program will be provided through the refunding of such notes with First Lien Obligations.

### **TAX MATTERS**

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the Authority must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The Authority’s failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Authority has covenanted in the Resolution to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Tax Counsel, assuming the accuracy of certain representations and certifications of the Authority and continuing compliance by the Authority with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes, and, further, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. Tax Counsel will express no opinion as to any other tax consequences regarding the Bonds.

Except as described above, Tax Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to

purchase or carry the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds, (iii) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the Bonds generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these and any other tax consequences.

Tax Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Tax Counsel as of the date thereof. Tax Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Tax Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Tax Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Tax Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

### **Original Issue Premium and Discount**

Certain of the Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences.

## **Changes in Federal Tax Law**

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

## **Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **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. 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 PFIA, 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 opinions of the Attorney General of Texas and the legal opinions of Greenberg Traurig, LLP, Houston, Texas and Baker Williams Matthiesen LLP, Houston, Texas, Co-Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State and opinion of Greenberg Traurig, LLP, as Tax Counsel, as to the excludability of interest on the Bonds from the gross income of the owners thereof for federal tax purposes. The forms of opinions of Co-Bond Counsel and Tax Counsel are set forth in APPENDIX E. The opinions of Co-Bond Counsel will be based upon an examination of a transcript of certain proceedings taken by the Authority incident to the issuance and delivery of the Bonds. The fees of Co-Bond Counsel for their services with respect to the Bonds are contingent upon the issuance and delivery of the Bonds.

Though they represent the Co-Financial Advisors and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Co-Bond Counsel have been engaged by and only represent the Authority in connection with the issuance of the Bonds. In their capacities as Co-Bond Counsel, such firms have reviewed the information appearing under captions or subcaptions, “INTRODUCTION – Plan of Financing,” “THE BONDS” (except under the subcaption “Book-Entry-Only System”), “SECURITY AND SOURCE OF PAYMENT,” “AMENDMENTS,” “BONDHOLDERS REMEDIES,” “CONTINUING DISCLOSURE OF INFORMATION,” “APPENDIX A – MASTER RESOLUTION,” and “APPENDIX B – FOURTH SUPPLEMENTAL RESOLUTION,” and such firms are of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Resolution; further, such firms have reviewed the information appearing under the captions and subcaptions “LEGAL MATTERS” (except for the last two sentences thereof), “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” and “REGISTRATION, SALE AND DISTRIBUTION” and such firms are of the opinion that the legal matters described under such captions and subcaptions are accurate and fair descriptions of the laws and legal issues addressed therein. Tax Counsel has reviewed the information appearing under the caption “TAX MATTERS,” and Tax Counsel is of the opinion that the legal matters described under such caption are accurate and fair descriptions of the laws and legal issues addressed therein.

Certain legal matters will be passed upon for the Authority by Bracewell LLP, Houston, Texas and West & Associates, L.L.P., Houston, Texas, Co-Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas and Hardwick Law Firm, LLC, Houston, Texas. The legal fees of such firms are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Resolution, 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 Resolution, 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 under tables listed in APPENDIX F and the portions of the audited financial statements of the Authority appended to this Official Statement in APPENDIX C but for the most recently concluded Fiscal Year. Any financial statements to be provided will be (i) prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation, and (ii) audited 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. The Authority will update and provide this information within six months after the end of each Fiscal Year ending in or after 2023.

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 the Rule.

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 (and the date of the new fiscal year end) prior to the next

date by which the Authority otherwise would be required to provide financial information and operating data as described under “—Annual Reports,” provided that the period between the existing filing date and the new filing date shall not exceed one year.

### **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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond 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; (14) appointment of successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

For these purposes, (A) any event described in (12) in the immediately preceding paragraph 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, (B) as used in (15) and (16), “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the Authority intends the words used in paragraphs (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

The Authority will notify the MSRB through the MSRB’s Electronic Municipal Market Access (“EMMA”) system, in a timely manner, of any failure by the Authority to provide the required annual financial information described above under “- Annual Reports” in accordance with the Resolution by the time required.

### **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](http://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 F — SUMMARY OF TABLES RELATED TO CONTINUING DISCLOSURE OF INFORMATION.”

## **REGISTRATION, SALE, AND DISTRIBUTION**

The sale of the Bonds has not been registered under the U.S. Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Texas Securities Act 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 a Bond Purchase Agreement between the Authority and Morgan Stanley & Co. LLC, on its own behalf and as representative (the “Representative”) of the several underwriters named on the cover page hereof (collectively, the “Underwriters”).

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority at a price of \$426,042,464.70, which is the principal amount of the Bonds plus a premium of \$33,807,067.35 and less the Underwriters' discount of \$1,349,602.65.

The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds covered by the Bond Purchase Agreement, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, 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 page i hereof. 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.

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 Authority for which they received or will receive customary fees and expenses.

Morgan Stanley & Co. LLC, one of the Underwriters 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 securities to retail investors through the financial 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 underwriting efforts with respect to the Bonds.

## **RATINGS**

The rating agencies of Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") have assigned their municipal bond ratings of "Aa3 (positive)" and "AA+ (stable)," 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 Owners 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.

## **CO-FINANCIAL ADVISORS**

In connection with the issuance of the Bonds, PFM Financial Advisors LLC and TKG & Associates LLC (the "Co-Financial Advisors") have assisted the Authority in the preparation of Bond-related documents. The Co-Financial Advisors' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Co-Financial Advisors or affiliates 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 Co-Financial Advisors have read and participated in the preparation of this Official Statement, the Co-Financial Advisors have 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 Co-Financial Advisors 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, beliefs, 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 Resolution and the information with respect thereto included in the Resolution.

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

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**APPENDIX A**  
**MASTER RESOLUTION**

**APPENDIX B**  
**FOURTH SUPPLEMENTAL RESOLUTION**

**APPENDIX C**  
**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

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## APPENDIX D

### 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 SEC. More information about DTC can be found at [www.dtcc.com](http://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.

APPENDIX E

FORMS OF CO-BOND COUNSEL AND TAX COUNSEL OPINIONS

*[Insert Greenberg Traurig, LLP letterhead]*

\_\_\_\_\_, 2023

Port of Houston Authority  
111 East Loop North  
Houston, Texas 77029

Port of Houston Authority of Harris County, Texas  
First Lien Revenue Bonds, Series 2023 (Non-AMT)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel and tax counsel to the Port of Houston Authority of Harris County, Texas (the “Authority”) in connection with the issuance of \$393,585,000 aggregate principal amount of bonds designated as “Port of Houston Authority of Harris County, Texas First Lien Revenue Bonds, Series 2023 (Non-AMT)” (the “Bonds”). The Bonds are authorized by the Master Resolution adopted by the Port Commission of the Authority (the “Port Commission”) on September 28, 2021 (the “Master Resolution”), the Fourth Supplemental Resolution adopted by the Port Commission on July 25, 2023 (the “Fourth Supplemental Resolution”) and a pricing certificate executed on the date of the sale of the Bonds (the “Pricing Certificate” and, together with the Master Resolution and the Fourth Supplemental Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the tax certificate executed by the Authority, dated the date hereof (the “Tax Certificate”), certificates of the Authority, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. With the delivery of this letter, our engagement with respect to the Bonds has concluded, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without

undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Resolution has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Resolution creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues and any other amounts held by the Authority in any fund or account established pursuant to the Resolution, except the Rebate Fund, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms set forth in the Resolution.
3. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of Texas or of any political subdivision thereof is pledged to the payment of the principal or interest on the Bonds. The Bonds are not a debt of the State of Texas, Harris County, Texas, the city of Houston, Texas or any other agency or political subdivision of the State of Texas, and such entities are not liable for the payment thereof.
4. Under existing statutes, regulations, rulings and court decisions, assuming the accuracy of certain certifications of the Authority made at the time of issuance of the Bonds and continuing compliance with the covenants described below, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes; and, furthermore, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), on applicable corporations (as defined in Section 59(k) of

the Code), interest on the Bonds will not be excluded from the determination of adjusted financial statement income. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with the requirements of the Code that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The Authority's failure to meet such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted in the Resolution to comply with such requirements. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

GREENBERG TRAURIG, LLP

*[Insert Baker Williams Matthiesen LLP letterhead]*

\_\_\_\_\_, 2023

Port of Houston Authority  
111 East Loop North  
Houston, Texas 77029

Port of Houston Authority of Harris County, Texas  
First Lien Revenue Bonds, Series 2023 (Non-AMT)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel to the Port of Houston Authority of Harris County, Texas (the “Authority”) in connection with the issuance of \$393,585,000 aggregate principal amount of bonds designated as “Port of Houston Authority of Harris County, Texas First Lien Revenue Bonds, Series 2023 (Non-AMT)” (the “Bonds”). The Bonds are authorized by the Master Resolution adopted by the Port Commission of the Authority (the “Port Commission”) on September 28, 2021 (the “Master Resolution”), the Fourth Supplemental Resolution adopted by the Port Commission on July 25, 2023 (the “Fourth Supplemental Resolution”) and a pricing certificate executed on the date of the sale of the Bonds (the “Pricing Certificate” and, together with the Master Resolution and the Fourth Supplemental Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, certificates of the Authority, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. With the delivery of this letter, our engagement with respect to the Bonds has concluded, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent

conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Resolution has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Resolution creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues and any other amounts held by the Authority in any fund or account established pursuant to the Resolution, except the Rebate Fund, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms set forth in the Resolution.
3. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of Texas or of any political subdivision thereof is pledged to the payment of the principal or interest on the Bonds. The Bonds are not a debt of the State of Texas, Harris County, Texas, the City of Houston, Texas or any other agency or political subdivision of the State of Texas, and such entities are not liable for the payment thereof.

Faithfully yours,

BAKER WILLIAMS MATTHIESEN LLP

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## APPENDIX F

### SUMMARY OF TABLES RELATED TO CONTINUING DISCLOSURE OF INFORMATION

Table 1	—	Physical Characteristics of the Port Facilities of the Authority
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Table 3	—	Volumes of Containerized Import and Export Commodities – Fiscal Year 2022 (in TEUs)
Table 4	—	Revenue Tonnage
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Table 8	—	Top Ten Authority Customers (Ten-Year Comparison)
Table 9	—	Top Ten Authority Exporters and Importers
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Table 12	—	Current Investment Distribution
Table 13	—	Debt Service Schedule
Table 14	—	Historical Net Revenue Available for Debt Service
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