

Matagorda Bay Mitigation Trust

Financial Statements

December 31, 2025 and 2024

Matagorda Bay Mitigation Trust

Table of Contents
December 31, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Net Assets	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditors' Report

To the Trustee of
Matagorda Bay Mitigation Trust

Opinion

We have audited the financial statements of Matagorda Bay Mitigation Trust (the Trust), which comprise the statements of net assets as of December 31, 2025 and 2024, and the related statements of changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

New York, New York
February 10, 2026

Matagorda Bay Mitigation Trust

Statements of Net Assets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 27,640,610	\$ 27,665,165
Investments in U.S. Treasury securities	33,453,205	35,582,585
Additional mitigation payment receivable	1,505,790	1,134,104
Prepaid federal income tax	147,951	-
Prepaid expenses and other assets	89,797	151,691
	<u>62,837,353</u>	<u>64,533,545</u>
Total assets		
Liabilities		
Accounts payable	52,033	49,677
Deferred federal income tax	127,931	20,000
Mitigation project payable, awarded	46,317,602	45,109,499
Mitigation project payable, unawarded	678	1,005,741
	<u>46,498,244</u>	<u>46,184,917</u>
Total liabilities		
Net assets	<u>\$ 16,339,109</u>	<u>\$ 18,348,628</u>

See notes to financial statements

Matagorda Bay Mitigation Trust

Statements of Changes in Net Assets

Years Ended December 31, 2025 and 2024

Net Assets, January 1, 2024	<u>\$ 15,681,822</u>
Increase (decrease) in net assets:	
Trust funding, additional mitigation payments	11,080,904
Trust income (Note 9)	2,797,913
Trust expenses (Note 9)	(1,270,753)
Par 62 Unspent Contract Funds	243
Committed funding, approved contracts	<u>(9,941,501)</u>
Net increase in net assets	<u>2,666,806</u>
Net Assets, December 31, 2024	<u>18,348,628</u>
Increase (decrease) in net assets:	
Trust funding, additional mitigation payments	11,567,205
Trust income (Note 9)	2,631,644
Trust expenses (Note 9)	(1,383,380)
Par 62 Unspent Contract Funds	538,137
Committed funding, approved contracts	<u>(15,363,125)</u>
Net decrease in net assets	<u>(2,009,519)</u>
Net Assets, December 31, 2025	<u><u>\$ 16,339,109</u></u>

See notes to financial statements

Matagorda Bay Mitigation Trust

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Net change in net assets	\$ (2,009,519)	\$ 2,666,806
Adjustments to reconcile net change in net assets to net cash (used in) provided by operating activities:		
Deferred federal income tax	107,931	(245,000)
Net change in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other assets	61,894	(46,751)
Increase in prepaid federal income tax	(147,951)	-
Decrease in mitigation projects funding receivable	-	10,000,000
Increase in additional mitigation payment receivable	(371,686)	(594,104)
Increase in accounts payable	2,356	14,579
Increase in mitigation projects payable, awarded	1,208,103	5,628,595
Decrease in mitigation projects payable, unawarded	(1,005,063)	(1,269,050)
	<u>(2,153,935)</u>	<u>16,155,075</u>
Net cash (used in) provided by operating activities		
Investing Activities		
Maturities of investments in U.S. Treasury bills, net of purchases	<u>2,129,380</u>	<u>(10,367,829)</u>
Net cash provided by (used in) investing activities	<u>2,129,380</u>	<u>(10,367,829)</u>
(Decrease) increase in cash and cash equivalents	(24,555)	5,787,246
Cash and Cash Equivalents, Beginning	<u>27,665,165</u>	<u>21,877,919</u>
Cash and Cash Equivalents, Ending	<u>\$ 27,640,610</u>	<u>\$ 27,665,165</u>
Supplementary Information		
Cash paid for income taxes	<u>\$ 940,000</u>	<u>\$ 877,000</u>

See notes to financial statements

Matagorda Bay Mitigation Trust

Notes to Financial Statements
December 31, 2025 and 2024

1. Description of Trust

Establishment of Trust

The Matagorda Bay Mitigation Trust (the Trust) has been established by order of the U.S. District Court for the Southern District of Texas, Victoria Division. On July 31, 2017, a federal Clean Water Act lawsuit was filed by San Antonio Bay Estuarine Waterkeeper and S. Diane Wilson, (Plaintiffs), against Formosa Plastics, Corp., Texas and Formosa Plastics, Corp. U.S.A. (collectively, Formosa or Defendants), alleging illegal discharges from Formosa's plant located in Point Comfort, Texas (Civil Action No. 6:17-CV-47). On June 27, 2019, a declaratory judgement was issued against Formosa for monetary and injunctive relief after which a settlement was reached that included Formosa's commitment to undertake engineering changes, future monitoring, mitigation payments for future infractions and remediation of past discharges. The settlement also provided, by Final Consent Decree dated December 6, 2019 (the Consent Decree), for the establishment of the Trust to be funded by the Defendants in the amount of \$50 million over a five-year period.

These financial statements should be read in conjunction with the Consent Decree.

In February 2020, Steven J. Raabe, P.E. (the Trustee) was appointed, by agreement of the parties to the suit, to serve as Trustee of the Trust.

The Trust was subsequently formed on May 8, 2020 upon the execution of a Trust Agreement by the Trustee and representatives of the Plaintiffs and Formosa.

The Trustee administers the Trust under the terms of the Trust Agreement, the Consent Decree, and applicable trust law of the State of Texas. Accordingly, the Trustee has broad powers and sole discretion and decision authority in the administration of the irrevocable Trust, which is the exclusive holder of the trust assets and accounts.

The Trust is classified as a Qualified Settlement Fund for which the Trustee serves as Administrator.

The mission of the Matagorda Bay Mitigation Trust is to support and fund environmental mitigation projects, studies and initiatives in the Matagorda Bay and San Antonio Bay ecosystems and other purposes allowed under the Consent Decree.

The Trust carries out its stated mission and purpose through the implementation of five specific projects defined in the Consent Decree and Trust Agreement, and through an array of additional projects to be developed by the Trust through a public Request for Proposals process.

The Consent Decree and the Trust Agreement define five specific projects for the Trust to carry out with total funding of \$33,750,000. Each such project, by Decree, has its specific budget allocation. Inasmuch as these amounts are earmarked specifically for these defined "beneficiaries" of Trust funds, the entire amount is recorded as a liability entitled Mitigation Projects Payable. This liability is reduced by interim project payments made to such beneficiaries.

The remaining \$16,250,000 of the initial funding is used for additional environmental research and mitigation projects to be developed by the Trust through a public Request for Proposals process and for Trust administration expenses.

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2025 and 2024

Funding of Trust

The Trust was funded with Mitigation Trust Payments according to the terms of the Consent Decree. Formosa is required to tender five equal annual payments of \$10,000,000 over a five-year period for total funding of \$50,000,000. Formosa tendered their first annual payment, in compliance with the Consent Decree and under the terms of the Trust Agreement, on May 19, 2020 in the stipulated amount of \$10,000,000. Subsequent annual payments by Formosa were due no later than May 26 of each year through 2024. The final payment was received on May 16, 2024.

Additionally, as stipulated in the Consent Decree, independent third-party monitors are appointed to conduct periodic tests on surrounding water ways in the Matagorda Bay area to determine if any violations are identified. Violations are defined as excess waste (i.e. plastics or additional discharges polluting the waterways) that can be traced back to the operations at Formosa subsequent to the formation of the Trust. Violation fines per Environmental Protection Agency (EPA) are set at a fixed rate of \$68,445 and \$66,712 per violation for the years ended December 31, 2025 and 2024, respectively, and are presented as additional mitigation payments on the statements of changes in net assets. For the years ended December 31, 2025 and 2024, there was \$11,567,205 and \$11,080,904 in awarded funding, respectively.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

The Trust maintains its cash deposits with financial institutions. All highly liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents, including all money market funds. At times, a portion of the cash and cash equivalents may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. At December 31, 2025 and 2024, all of the Trust's cash and cash equivalents were held at Falls City National Bank and Sendero Wealth Management and consists of the following:

	<u>2025</u>	<u>2024</u>
Cash	\$ 246,901	\$ 224,679
Money market	4,718,376	7,573,422
Money market fund	<u>22,675,333</u>	<u>19,867,064</u>
Total cash and cash equivalents	<u>\$ 27,640,610</u>	<u>\$ 27,665,165</u>

Investments in U.S. Treasury Securities

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

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2025 and 2024

Mitigation Projects Payable, Awarded

This represents funds due to beneficiaries for projects specifically defined by the Consent Decree and Trust Agreement as well as the additional projects awarded by the Trust through a public Request for Proposals process.

Mitigation Projects Payable, Unawarded

This represents funds under paragraph 61 of the Consent Decree that have not yet been awarded for individual environmental research mitigation projects.

Fiduciary Net Position

Represents the net discretionary funds available to the Trustee for other environmental and mitigation projects as well as funds for administration and other expenses of the Trust. The amounts of \$16,339,109 and \$18,348,628 as of December 31, 2025 and 2024, respectfully, are represented as net assets.

Income Taxes

Under the terms of the Matagorda Bay Mitigation Trust Agreement, the Trust will qualify as, and remain, a "Qualified Settlement Fund" within the meaning of § 468B of the Internal Revenue Code (IRC), 26 U.S.C. § 468B and the Regulations promulgated pursuant thereto and codified at 26 C.F.R. §§ 1.468B-1 through 1.468B-5. Transferor shall be classified as a "transferor" within the meaning of Regulation § 1.468B-1(d)(1), 26 C.F.R. § 1.468B-1(d)(1). The Trustee shall be classified as the "administrator" within the meaning of Regulation § 1.468B-2(k)(3), 26 C.F.R. § 1.468B-2(k)(3). Accordingly, if appropriate, the Trustee shall elect to apply settlement fund rules by filing a "§ 1.468B-5(b)(2) Election."

It is further intended that all transfers to the Trust will satisfy the "all events test" and the "economic performance" requirements of § 461(h)(1) of the IRC, 26 U.S.C. § 461(h)(1) and the Regulation § 1.461-1(a)(2), 26 C.F.R. § 1.461-1(a)(2). As such, the Transferor shall not be taxed on the income of the Trust. The Trust shall be taxed on its modified gross income, excluding the sums or cash equivalents of things, transferred to it. In computing the Trust's modified gross income, deductions shall be allowed or, inter alia, administrative costs and other incidental deductible expenses incurred in connection with the operation of Trust, including, without limitation, state and local taxes and legal, accounting and actuarial fees relating to the operation of the Trust. All such computations of the Trust's modified gross income, as well as any exclusions or deductions thereto, shall be compliant and consistent with Treasury Regulation § 1.468B-2(b)(1)-(4), 26 C.F.R. § 1.468B-2(b)(1)-(4).

The Matagorda Bay Mitigation Trust, whose beneficiaries are comprised only of governmental entities and organizations that qualify as nonprofit under the IRC, is required to file, by April 15 of each year, Form 1120-SF (U.S. Income Tax Return for Settlement Funds). Accordingly, the Trust shall pay applicable taxes, if any, with respect to the Trust in a manner consistent with the provisions of applicable law. For the years ended December 31, 2025, and 2024, income tax expense totaled \$899,980 and \$897,000, respectively.

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2025 and 2024

The Trust accounts for income taxes in accordance with Accounting Standards Codification (ASC) 740, *Income Taxes*, which requires the use of the asset and liability method, under which deferred income tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed. In assessing the reliability of deferred tax assets, the Trust considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is additionally dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Trust considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment and records a valuation allowance to reduce deferred tax assets when uncertainty regarding their realizability exists. The deferred tax liability of \$127,931 and \$20,000 as of December 31, 2025 and 2024, respectively, results primarily from the temporary timing differences of reporting investment income and expense for financial reporting purposes and tax purposes.

Use of Estimates in Financial Statements

The preparation of the financial statements in conformity with U.S. GAAP may require the Trustee to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Trust has assessed recent accounting pronouncements and determined that there are none that would be expected to have a material impact on the financial statements.

3. Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The Trust's cash equivalents are presented as provided by this hierarchy.

Level 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets and liabilities that the Trust has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets or liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Trust had no assets or liabilities that are measured with Level 2 inputs at December 31, 2025 and 2024.

Level 3 - Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies or similar techniques taking into account the characteristics of the asset or liability. The Trust had no assets or liabilities that are measured with Level 3 inputs at December 31, 2025 and 2024.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Matagorda Bay Mitigation Trust

Notes to Financial Statements
December 31, 2025 and 2024

The following table presents information about the Trust's assets measured at fair value at December 31, 2025 and 2024 as well as the valuation techniques used by the Trust to determine those fair values.

	December 31, 2025			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Money market	\$ 4,718,376	\$ -	\$ -	\$ 4,718,376
Money market fund	22,675,333	-	-	22,675,333
Investments:				
U.S. Treasury securities	33,453,205	-	-	33,453,205
Total	<u>\$ 60,846,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,846,914</u>

	December 31, 2024			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Money market	\$ 7,573,422	\$ -	\$ -	\$ 7,573,422
Money market fund	19,867,064	-	-	19,867,064
Investments:				
U.S. Treasury securities	35,582,585	-	-	35,582,585
Total	<u>\$ 63,023,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,023,071</u>

The following are descriptions of the valuation methodologies used for assets measured at fair value.

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

U.S. Treasury securities are all considered investments as the original maturity is greater than three months. There were \$58,351 unrealized gains recorded on investments for the year ended December 31, 2025. As of December 31, 2025, the Trust held \$33,453,205 in U.S. Treasury securities. The U.S. Treasury securities held as of December 31, 2025 will mature at various dates throughout 2026.

The Trust's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no such transfers during the years ended December 31, 2025 and 2024.

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2025 and 2024

4. Mitigation Projects Funding Receivable

The following are the defined funding over the life of the Consent Decree and Trust Agreement and the funding allocation based on annual payments received.

Beneficiary	Funding Over Life of Consent Decree	Mitigation Projects Funding Receivable as of January 1, 2024	2024 Funding Allocation	Mitigation Projects Funding Receivable as of December 31, 2024	2025 Funding Allocation	Mitigation Projects Funding Receivable as of December 31, 2025
Par. 56-60 (Consent Decree):						
Federation of Southern Cooperatives	\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ -
Green Lake Park	10,000,000	2,000,000	2,000,000	-	-	-
Port Lavaca YMCA	750,000	225,000	225,000	-	-	-
University of Texas Marine Science Institute	1,000,000	200,000	200,000	-	-	-
Calhoun County	2,000,000	-	-	-	-	-
	<u>33,750,000</u>	<u>7,425,000</u>	<u>7,425,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Par. 61 (Consent Decree):						
Environmental Research Mitigation Projects	5,000,000	1,000,000	1,000,000	-	-	-
Par. 62 (Consent Decree):						
Matagorda Bay Mitigation Trust	<u>11,250,000</u>	<u>1,575,000</u>	<u>1,575,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 50,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Trust is allocated a total of \$11,250,000 from the Consent Decree paragraph 62 to cover expenses and to award funds for the benefit of the waterbodies and public interest. Funds will be awarded based on a Request for Proposals process conducted annually. Funds awarded will be recorded as mitigation project payable, awarded and reduced from net assets. For the years ended December 31, 2025 and 2024, there was \$15,363,125 and \$9,941,501 in committed funding awarded, respectively.

Any additional Mitigation Payments due from Formosa as a result of Consent Decree violations (as defined) will be allocated to the Trust to award funds for the benefit of the waterbodies and public interest under paragraph 62. For the years ended December 31, 2025 and 2024, there was \$11,567,205 and \$11,080,904 in additional mitigation payments, respectively. At December 31, 2025 and 2024, \$1,505,790 and \$1,134,104, respectively, were recorded as additional mitigation payments receivable on the statements of net assets.

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2025 and 2024

5. Mitigation Project Payable, Awarded

The following are defined projects in the Consent Decree and Trust Agreement. The Trust made distributions for four projects in 2025 and 2024, as stipulated. Amounts are paid out for each respective contracts when qualifying expenses are submitted and approved by the Trust for distribution to the beneficiary. Accordingly, at December 31, 2025 and 2024, the Trust had outstanding contracts as follows:

Beneficiary	2025				
	Unpaid Balance of Total Funding as of January 1, 2025	Unspent Contract Adjustments 2025	Committed Funding Approved Projects 2025	Approved and Paid Project Costs 2025	Unpaid Balance of Total Funding as of December 31, 2025
Par. 56-60 (Consent Decree):					
Federation of Southern Cooperatives	\$ 19,002,453	\$ -	\$ -	\$ (3,667,138)	\$ 15,335,315
Green Lake Park	9,369,738	-	-	(820,500)	8,549,238
University of Texas Marine Science Institute	193,028	-	-	(165,919)	27,109
Calhoun County	1,871,415	-	-	(118,895)	1,752,520
Par. 61 (Consent Decree):					
Environmental Research Mitigation Projects	1,610,408	-	1,005,063	(565,533)	2,049,938
Par. 62 (Consent Decree):					
Matagorda Bay Mitigation Trust	13,062,457	(538,137) *	15,363,125 **	(9,283,963)	18,603,482
Total	\$ 45,109,499	\$ (538,137)	\$ 16,368,188	\$ (14,621,948)	\$ 46,317,602

* Unspent contract adjustments represent the reversal of restricted funding for unspent balances on matured or terminated contracts during the period.

** Five contracts totaling \$9,700,000 (three totaling \$5,500,000 awarded in 2025, and two totaling \$4,200,000 in 2024) have been contingently awarded under Paragraph 62 of the Consent Decree, pending recipient's raising of matching funds. These awards, which are included in Mitigation Projects Payable, Awarded, have not been assigned contract numbers, and are subject to reversal if the contingency requirement is not met within three years of the award date.

Matagorda Bay Mitigation Trust

Notes to Financial Statements
December 31, 2025 and 2024

Beneficiary	2024				
	Unpaid Balance of Total Funding as of January 1, 2024	Unspent Contract Adjustments 2024	Committed Funding Approved Projects 2024	Approved and Paid Project Costs 2024	Unpaid Balance of Total Funding as of December 31, 2024
Par. 56-60 (Consent Decree):					
Federation of Southern Cooperatives	\$ 19,315,010	\$ -	\$ -	\$ (312,557)	\$ 19,002,453
Green Lake Park	9,654,008	-	-	(284,270)	9,369,738
Port Lavaca YMCA	227,910	-	-	(227,910)	-
University of Texas Marine Science Institute	382,403	-	-	(189,375)	193,028
Calhoun County	2,000,000	-	-	(128,585)	1,871,415
Par. 61 (Consent Decree):					
Environmental Research Mitigation Projects	1,086,134	-	1,269,050	(744,776)	1,610,408
Par. 62 (Consent Decree):					
Matagorda Bay Mitigation Trust	6,815,439	-	9,941,501 *	(3,694,483)	13,062,457
Total	\$ 39,480,904	\$ -	\$ 11,210,551	\$ (5,581,956)	\$ 45,109,499

* Two contracts totaling \$4,200,000 have been contingently awarded in 2024 under Paragraph 62 of the Consent Decree, pending recipient's raising of matching funds. These awards, which are included in Mitigation Projects Payable - Awarded, have not been assigned contract numbers, and as such the funds are being held in reserve until the contracts are executed or the awards cancelled.

6. Mitigation Project Payable, Unawarded

In the Consent Decree and Trust Agreement paragraph 61 allocates \$5,000,000 for funding for environmental research regarding the Bay Systems, or the river deltas in Calhoun or Jackson Counties feeding into those systems. Funds will be awarded based on an application process conducted annually. Funds Awarded will be recorded as mitigation project payable, awarded and reduce the mitigation project payable, unawarded balance. For the years ended December 31, 2025 and 2024, there was \$1,005,063 and \$1,269,050, respectively, in committed funding approved.

Beneficiary	2025		
	Unpaid Balance of Total Funding as of January 1, 2025	Committed Funding Approved Projects 2025	Unpaid Balance of Total Funding as of December 31, 2025
Par.61 (Consent Decree): Environmental Research Mitigation Projects	\$ 1,005,741	\$ 1,005,063	\$ 678

Matagorda Bay Mitigation Trust

Notes to Financial Statements
December 31, 2025 and 2024

Beneficiary	2024		
	Unpaid Balance of Total Funding as of January 1, 2024	Committed Funding Approved Projects 2024	Unpaid Balance of Total Funding as of December 31, 2024
Par.61 (Consent Decree): Environmental Research Mitigation Projects	\$ 2,274,791	\$ 1,269,050	\$ 1,005,741

7. Related-Party Transactions

The Trustee was compensated \$131,700 and \$107,721 for the years ended December 31, 2025 and 2024 for services rendered to the Trust, respectively.

8. Guarantees and Indemnifications

In the normal course of its operations, the Trust enters into contracts that contain a variety of indemnifications and warranties. The Trust's maximum exposure under this arrangement is unknown as this would involve future claims that may be made against the Trust, which have not yet occurred. However, the Trust has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. No such claims exist or are imminent as of December 31, 2025 and 2024.

9. Trust Income and Expenses

Trust income and expenses for the years ended December 31, 2025 and 2024 are comprised of the following:

	2025	2024
Income:		
Dividend income, Sendero	\$ 1,144,211	\$ 1,199,601
Interest income, Sendero	1,424,736	1,559,536
Interest income, Falls City National Bank	4,502	4,369
Unrealized gain (loss) on money market accounts	(156)	(100)
Unrealized gain (loss) on U.S. Treasury securities	58,351	34,507
Total income	2,631,644	2,797,913
Operating expenses:		
Payroll expense	198,967	174,485
Professional fees, legal	13,498	15,775
Professional fees, audit	38,200	31,350
Professional fees, accounting	63,875	52,600
Professional fees, tax	11,700	-
Investment expense	94,973	83,987
Web services/hosting	751	717
Other expenses	61,436	14,839
Total operating expenses	483,400	373,753
Income tax expense	899,980	897,000
Total net income and expenses	\$ 1,248,264	\$ 1,527,160

Matagorda Bay Mitigation Trust

Notes to Financial Statements

December 31, 2025 and 2024

10. Subsequent Events

The Trustee has evaluated subsequent events to determine if events or transactions occurring through February 10, 2026, the date which the financial statements were available to be issued, require potential adjustment to or disclosure in the financial statements. There were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the financial statements besides for the following:

Subsequent to December 31, 2025, twelve additional contracts were entered into. Eleven were as a result of the Request for Proposals process publicly announced on September 1, 2025 where 83 proposals were received and, through a defined evaluation process undertaken by an Independent Award Committee, 33 projects totaling \$13,122,416 were selected for funding under paragraph 62 of the Consent Decree. In addition, one contract in the amount of \$2,000,000, contingently awarded on January 19, 2025, was executed on January 19, 2026.

Below is a table of contracts awarded subsequent to December 31, 2025 as of February 10, 2026.

Contracted Entity	Contract Amount	Contract Status
Matagorda Bay Mitigation Trust Projects:		
San Antonio Bay Partnership	\$ 91,500	Awarded
City of Port Lavaca	16,250	Awarded
City of Palacios	712,845	Awarded
City of Port Lavaca	549,800	Awarded
Coastal Bend Bays and Estuaries Program	750,000	Awarded/Executed
Texas Parks and Wildlife Department	280,000	Awarded
Matagorda County Agrilife Leadership	5,000	Awarded/Executed
San Antonio Bay Partnership	24,160	Awarded
City of Seadrift	600,000	Awarded
Calhoun County	2,000,000	Awarded/Executed
Matagorda County Agrilife Leadership	48,000	Awarded/Executed
City of Austwell	556,689	Awarded
City of Point Comfort	253,749	Awarded
Audubon Texas	331,302	Awarded
Texas Parks and Wildlife Foundation	749,676	Awarded
San Antonio Bay Partnership	68,500	Awarded
Matagorda Bay Foundation	70,000	Awarded/Executed
Matagorda Bay Foundation	30,017	Awarded/Executed
San Antonio Bay Partnership	439,680	Awarded
Calhoun County	508,245	Awarded/Executed
Port of Bay City Authority	750,000	Awarded
Calhoun County	600,000	Awarded/Executed
Texas RICE	164,900	Awarded/Executed
City of Palacios	363,315	Awarded
Calhoun County ISD	149,920	Awarded/Executed
Coastal Bend Bays and Estuaries Program	525,000	Awarded
San Antonio Bay Partnership	99,450	Awarded
San Antonio Bay Partnership	258,203	Awarded
Calhoun County	460,726	Awarded
Calhoun County	196,933	Awarded/Executed
San Antonio Bay Partnership	264,800	Awarded
University of Texas at Austin	671,712	Awarded
Palacios Preservation Association	532,045	Awarded [1]
Matagorda Bay Foundation (Oliver Point)	2,000,000	Awarded/Executed [2]
Total	<u>\$ 15,122,417</u>	

[1] The identified projects have been approved; however, the final award letter has not been finalized at the time of issuance.

[2] The identified contract was contingently awarded in 2025 as disclosed in Note 5 of the footnotes.