OFFICIAL STATEMENT

Dated August 13, 2026

Ratings:
S&P: "AA-"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE – Book-Entry-Only

In the opinion of Bond Counsel to the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except for any period during which a Bond is held by a person who is a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds or a "related person" to such a "substantial user," each within the meaning of section 147(a) of the Internal Revenue Code of 1986 (the "Code") and is an item of tax preference for purposes of the alternative minimum tax on individuals for purpose of determining the alternative minimum tax imposed under section 57(a)(5) of the Code. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion and certain collateral federal tax consequences, including the alternative minimum tax on certain corporations.

$30,000,000
PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS
(A Political Subdivision of the State of Texas having boundaries within Jefferson County)
PORT REVENUE BONDS, SERIES 2026 (AMT)

Dated Date: September 1, 2026 **Due: March 1, as shown on the inside cover**
Interest Accrues from the Date of Initial Delivery

PAYMENT TERMS . . . This Official Statement is provided to furnish information in connection with the offering by the Port of Port Arthur Navigation District of Jefferson County, Texas (the "District") of its $30,000,000 Port Revenue Bonds, Series 2026 (AMT) (the "Bonds"). Interest on the Bonds will accrue from the date of initial delivery of the Bonds, will be payable March 1 and September 1 of each year, commencing March 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by 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. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the laws of the State of Texas (the "State"), including particularly Chapter 197, Acts of the 58th Legislature of Texas, Regular Session, 1963, as amended, and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and a resolution of the Board of Port Commissioners of the District adopted on June 26, 2026 (the "Bond Resolution"). In the Bond Resolution, the Board of Port Commissioners of the District delegated to an officer of the District, pursuant to Chapter 1371, the authority to execute a pricing certificate (the "Pricing Certificate") setting forth certain terms of the Bonds and which will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are collectively referred to as the "Resolution") (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to acquire, purchase, construct, improve and develop facilities incidental to and useful in the operation and development of (i) the District's docks, wharves, other port facilities and its waterways and (ii) navigation-related commerce in the District and on its waterways, including docks and related infrastructure, laydown and queuing areas, Port administration buildings, transit sheds and roadways (the "Project") and to pay the costs of issuance of the Bonds.

The Bonds are special obligations of the District, which, together with future revenue bonds, if and when issued, ranking on a parity with the Bonds, are payable both as to principal and interest solely from, and are secured by a first lien on and a pledge of, the Gross Revenues, as defined herein, of the Port System, as defined herein. The Bonds shall not be deemed to constitute an indebtedness or a general obligation of the State, any other political subdivision thereof or the District, other than with respect to the Gross Revenues. Registered owners of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

MATURITY SCHEDULE
See Schedule on Inside Front Cover

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see "APPENDIX D - FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by FBT Gibbons LLP, Houston, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on Wednesday, September 9, 2026.

SIEBERT WILLIAMS SHANK **RBC CAPITAL MARKETS**

CUSIP Prefix[1]: 735223

MATURITY SCHEDULE

$13,365,000 Serial Bonds

Principal Amount	Stated Maturity (March 1)	Interest Rate	Initial Price or Yield	CUSIP Number Suffix[1]	Principal Amount	Stated Maturity (March 1)	Interest Rate	Initial Price or Yield	CUSIP Number Suffix[1]
$ 1,190,000	2027	5.000%	3.140%	AV1	$ 680,000	2036	5.000%	4.000%	BE8
460,000	2028	5.000%	3.270%	AW9	710,000	2037	5.000%	4.100% [2]	BF5
480,000	2029	5.000%	3.380%	AX7	750,000	2038	5.000%	4.210% [2]	BG3
505,000	2030	5.000%	3.460%	AY5	785,000	2039	5.000%	4.300% [2]	BH1
530,000	2031	5.000%	3.550%	AZ2	825,000	2040	5.000%	4.430% [2]	BJ7
560,000	2032	5.000%	3.600%	BA6	865,000	2041	5.000%	4.490% [2]	BK4
585,000	2033	5.000%	3.710%	BB4	1,005,000	2044	5.250%	4.630% [2]	BM0
615,000	2034	5.000%	3.800%	BC2	1,060,000	2045	5.250%	4.700% [2]	BN8
645,000	2035	5.000%	3.900%	BD0	1,115,000	2046	5.250%	4.790% [2]	BP3

$16,635,000 Term Bonds

$1,865,000 5.250% Term Bond due March 1, 2043 Priced to Yield 4.560[2]% - CUSIP Suffix: BL2[1]
$14,770,000 5.000% Term Bond due March 1, 2056 Priced to Yield 5.080% - CUSIP Suffix: BQ1[1]

(Interest to Accrue from the Date of Initial Delivery)

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(1) 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 District, the Financial Advisor, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(2) The Bonds maturing on and after March 1, 2037 are subject to optional redemption prior to maturity in whole or in part on March 1, 2036 or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Optional Redemption.” In addition, the Bonds maturing on march 1, 2043 and March 1, 2056 (the “Term Bonds”) are subject to mandatory sinking fund redemption as described herein. See "THE BONDS - Mandatory Sinking Fund Redemption" herein.

(3) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on March 1, 2036, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the 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 other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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 BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH.

IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE DISTRICT, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" HEREIN.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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.

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 links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

TABLE OF CONTENTS

The cover page hereof, this page, the Schedule, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT .... The Port of Port Arthur Navigation District of Jefferson County, Texas (the "District") is a political subdivision of the State of Texas (the "State").

THE BONDS .... The Port of Port Arthur Navigation District of Jefferson County, Texas, $30,000,000 Port Revenue Bonds, Series 2026 (AMT) (the "Bonds") are issued as serial bonds maturing March 1, 2027 through March 1, 2041 (inclusive) and March 1, 2044 through March 1, 2046 (inclusive), and in part as Term Bonds (defined below) maturing on March 1, 2043 and March 1, 2056 (see "THE BONDS – Description of the Bonds"). (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery of the Bonds, and is payable March 1, 2027, and each September 1 and March 1 thereafter until maturity or prior redemption. (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the laws of the State, including particularly Chapter 197, Acts of the 58th Legislature of Texas, Regular Session, 1963, as amended, and Chapter 1371, Texas Government Code, as amended, and a bond resolution adopted by the Board of Port Commissioners of the District on June 26, 2026 (the "Bond Resolution"). In the Bond Resolution, the Board of Port Commissioners of the District delegated to an officer of the District, pursuant to Chapter 1371, Texas Government Code, as amended, the authority to execute a pricing certificate (the "Pricing Certificate") setting forth certain terms of the Bonds and which will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are collectively referred to as the "Resolution") (see "THE BONDS – AUTHORITY FOR ISSUANCE").

SECURITY AND SOURCES OF PAYMENT .... The Bonds are limited, special obligations of the District and, together with any future outstanding "Parity Obligations" (as defined below), are payable from and equally and ratably secured solely by a first lien on and pledge of the "Gross Revenues" (as defined below) of the District, pursuant to the provisions of the Resolution. The Bonds are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal or mixed, constituting the Port System (as defined below). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

The Bonds do not constitute a general obligation of the District, are not payable from any funds raised or to be raised by taxation and registered owners of the Bonds shall never have the right to demand payment of the principal or interest on the Parity Obligations from any funds raised or to be raised through taxation by the District.

RATE COVENANT………… .... In the Resolution, the District has covenanted that, while any of the Parity Obligations are Outstanding (as defined below), including the Bonds, the District expressly stipulates and agrees to establish and maintain tariffs, rentals, tolls, fees, rates and charges for facilities and services afforded by the Port System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient: to produce amounts at least equal to the Annual Debt Service Requirements (as defined below) for all Outstanding Parity Obligations; to produce amounts sufficient to enable the District to make the deposits and credits, if any, to (i) the Series 2026 Revenue Bond Reserve Fund (as defined below) to restore the Required Reserve Amount (as defined below) in accordance with the Resolution, including the payment of any Reserve Fund Obligation Payment then due, and (ii) other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations; and to produce Net Revenues (as defined below) at least equal to 125% on the Annual Debt Service Requirements (as defined below) for all Outstanding Parity Obligations in such Fiscal Year. In calculating Net Revenues for such purpose, the ad valorem tax levied by the District in such Fiscal Year for Operation and Maintenance Expenses (as defined below) shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in such calculation. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant".

ADDITIONAL INDEBTEDNESS................. The District has reserved the right to issue additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations") for any purpose authorized by law, subject to meeting certain conditions, which are described in greater detail under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Parity Obligations.

RESERVE FUND………….. .... Under the Resolution, the District will maintain the Series 2026 Revenue Bond Reserve Fund for the Bonds in an amount equal to the Average Annual Debt Service on the Bonds. The initial Series Required Reserve Amount (as defined below) relating to the Bonds of $1,912,279.75 will be funded by the District at the time of delivery of the Bonds from lawfully available funds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund for the Bonds”.

TAX EXEMPTION .... In the opinion of Bond Counsel to the District, interest on the Bonds will be excludable from gross income for federal income tax purposes, except for any period during which a Bond is held by a person who is a “substantial user” of the facilities financed or refinanced with the proceeds of the Bonds or a “related person” to such a “substantial user,” each within the meaning of section 147(a) of the Internal Revenue Code of 1986 (the "Code") and is an item of tax preference for purposes of the alternative minimum tax on individuals for purpose of determining the alternative minimum tax imposed under section 57(a)(5) of the Code. See “TAX MATTERS” herein for a discussion of Bond Counsel’s opinion and certain collateral federal tax consequences, including the alternative minimum tax on certain corporations.

USE OF PROCEEDS................................ Proceeds from the sale of the Bonds will be used to acquire, purchase, construct, improve and develop facilities incidental to and useful in the operation and development of (i) the District's docks, wharves, other port facilities and its waterways and (ii) navigation-related commerce in the District and on its waterways, including docks and related infrastructure, laydown and queuing areas, Port administration buildings, transit sheds and roadways (the "Project") and to pay the costs of issuance of the Bonds.

RATINGS ....S&P Global Ratings ("S&P") has assigned its underlying municipal bond rating of “AA-” to the Bonds. See "OTHER INFORMATION – Ratings".

REDEMPTION... The Bonds maturing on and after March 1, 2037 are subject to optional redemption prior to maturity in whole or in part on March 1, 2036 or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”). In addition, the Bonds maturing on March 1, 2043 and March 1, 2056 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity (see “THE BONDS – Mandatory Redemption”).See "THE BONDS - MANDATORY SINKING FUND REDEMPTION" herein.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by 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").

PAYMENT RECORD............................... The District has never defaulted in the payment of its outstanding debt obligations.

FOR ADDITIONAL INFORMATION REGARDING THE DISTRICT, PLEASE CONTACT:

Larry Kelley		Judy Bettis		Anne Burger Entrekin
Executive Port Director / CEO		Director of Finance		Senior Managing Director
Port of Port Arthur		Port of Port Arthur		Hilltop Securities Inc.
246 Rev Dr Ransom Howard St. (7th St.)	or	246 Rev Dr Ransom Howard St. (7th St.)	or	70 Northeast Loop 410, Suite 750
P.O. Box 1428		P.O. Box 1428		San Antonio, Texas 78216
Port Arthur, Texas 77640		Port Arthur, Texas 77640		(210) 308-2200
(409) 983-2011		(409) 983-2011		anne.burger.entrekin@hilltopsecurities.com
larry@portpa.com		judy@portpa.com		

BOARD OF PORT COMMISSIONERS, EXECUTIVE OFFICERS AND CONSULTANTS

The Port of Port Arthur Navigation District of Jefferson County, Texas (the "District") was created by a Special Act of the 58th Legislature under provisions of Section 59, Article XVI of the Texas Constitution, ratified by referendum on June 13, 1964. The District is independent from other local or state governments and operates within district boundaries of approximately 59 square miles, including the City of Port Arthur and a part of the City of Groves. The five member elected Board of Port Commissioners governs the District.

BOARD OF PORT COMMISSIONERS

Board of Port Commissioners	Length of Service	Term Expires	Occupation
Randy T. Martin President	7 Years	05/2031	Army (Ret); Small Business Owner
Linda Turner Spears Vice President	19 Years	05/2027	Educator (Ret); Charity Volunteer
Mary Wycoff Secretary / Treasurer	5 Years	05/2027	Refinery (Ret)
John Comeaux Board Member	17 Years	05/2027	Professional Engineer (Ret)
Fred Owens Board Member	1 Year	05/2031	School Principal

EXECUTIVE OFFICERS

Name	Position	Length of Service to the Port	Total Government Experience
Larry Kelley	Executive Port Director / CEO	18 Years	18 Years
Andy Powell	Deputy Director	2 Years	2 Years
Ed Long	Director of Engineering	8 Years	20 Years
Judy Bettis	Director of Finance	26 Years	34 Years
Kaylynn Rizzotto	Director of Accounting	8 Months	5 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Brammer, Begnuad & Lattimore, CPA
Port Arthur, Texas

Mitchell T. Fontenote, CPA, Inc.*
Port Neches, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Austin, Texas

Issuer Counsel.......... Moore Landrey L.L.P.
Beaumont, Texas

Financial Advisor.......... Hilltop Securities Inc.
San Antonio, Houston and Dallas, Texas

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*Brammer, Begnuad & Lattimore, CPA were the Certified Public Accountants for the District through the fiscal year ended July 31, 2025. On May 13, 2026, the Board of Port Commissioners engaged Mitchell T. Fontenote, CPA, Inc.to perform auditing services for the fiscal year ending July 31, 2026.

OFFICIAL STATEMENT

RELATING TO

$30,000,000
PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS
PORT REVENUE BONDS, SERIES 2026 (AMT)

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $30,000,000 Port of Port Arthur Navigation District of Jefferson County, Texas Port Revenue Bonds, Series 2026 (AMT) (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the bond resolution authorizing the issuance of the Bonds adopted by the Board of Port Commissioners of the Port of Port Arthur Navigation District of Jefferson County, Texas (the "District") on June 26, 2026 (the "Bond Resolution"). See "APPENDIX B - DEFINITIONS AND SELECTED PROVISIONS OF THE RESOLUTION."

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Hilltop Securities Inc., Dallas, Houston and San Antonio, Texas.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to acquire, purchase, construct, improve and develop facilities incidental to and useful in the operation and development of (i) the District's docks, wharves, other port facilities and its waterways and (ii) navigation-related commerce in the District and on its waterways, including docks and related infrastructure, laydown and queuing areas, Port administration buildings, transit sheds and roadways (the "Project") and to pay the costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds, together with other lawfully available funds from the District, will be applied approximately as follows:

Sources of Funds:	
Par Amount	$ 30,000,000.00
Net Premium	586,535.75
Contribution from the District	1,912,279.75
Total Sources of Funds	$ 32,498,815.50
Uses of Funds:	
Deposit to Project Fund	$ 30,025,337.63
Deposit to Series 2026 Revenue Bond Reserve Fund	$ 1,912,279.75
Costs of Issuance	372,970.00
Underwriter's Discount	188,228.12
Total Uses of Funds	$ 32,498,815.50

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 1, 2026 and mature on March 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the "Delivery Date" to the Underwriters and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing March 1, 2027 until the earlier of maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by 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 "- Book-Entry-Only System" herein.

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

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the laws of the State of Texas (the “State”), including particularly Chapter 197, Acts of the 58th Legislature of Texas, Regular Session, 1963, as amended, and Chapter 1371, Texas Government Code, as amended. In the Bond Resolution, the Board of Port Commissioners of the District delegated to an officer of the District, pursuant to Chapter 1371, Texas Government Code, as amended, the authority to execute a pricing certificate (the “Pricing Certificate”) setting forth certain terms of the Bonds and which will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are collectively referred to as the “Resolution”). See “DEFINITIONS AND SELECTED PROVISIONS OF THE RESOLUTION” attached hereto as APPENDIX B.

OPTIONAL REDEMPTION . . . The Bonds maturing on and after March 1, 2037 are subject to optional redemption prior to maturity in whole or in part on March 1, 2036 or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds stated to mature on March 1, 2043 and March 1, 2056 are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on March 1 in each of the years as set forth below:

Term Bond Maturing on March 1, 2043	
Year	Principal Amount
2042	$ 910,000
2043 (Maturity)	955,000

Term Bond Maturing on March 1, 2056			
Year	Principal Amount	Year	Principal Amount
2047	$ 1,175,000	2052	$ 1,500,000
2048	1,235,000	2053	1,575,000
2049	1,295,000	2054	1,650,000
2050	1,360,000	2055	1,735,000
2051	1,425,000	2056 (Maturity)	1,820,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Interest and Sinking Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption. Official notice of any redemption of the Bonds shall be given by the Paying Agent/Registrar on behalf of the Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to the owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register; *provided, however,* that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. Should notice to call Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Bond Indenture Trustee with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Bonds so called for redemption, such Bonds shall not be redeemed on the date fixed for redemption, and the notice of redemption for such Bonds shall be null and void. In addition, any notice of optional redemption may be made conditional upon the receipt of moneys to effect such redemption.

The Paying Agent/Registrar shall also send notice of any redemption by United States mail, first-class postage prepaid, to DTC at the same time that it sends notice of redemption to Holders. So long as all Bonds are held under a book entry system by DTC, notice of redemption shall be sent by the Agent only to DTC or its nominee. Selection of book entry interests in the Bonds called for redemption and notice of redemption to the owners of Bonds called for redemption, is the responsibility of DTC (or any successor securities depository) pursuant to its rules and procedures, and of its participants and indirect participants. Any failure of DTC (or any successor securities depository) to advise any participant, or of any participant or any indirect participant to notify the owner of a book-entry interest, of any such notice and its content or effect shall not affect the validity of any proceedings for the redemption of any Bonds.

Partial Redemption. If less than all of the Bonds within a maturity are called for redemption, the Bonds selected for redemption within such maturity shall be chosen by lot by the Paying Agent/Registrar (provided that a portion thereof may be redeemed only in an integral multiple of $5,000 principal amount). During any period in which ownership of the Bonds is determined only by a book-entry at a securities depository for the Bonds, if less than all of the Bonds within a maturity are called for redemption, the particular Bonds selected for redemption within such maturity shall be selected in accordance with the arrangements among the Board, the Paying Agent/Registrar and DTC.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, New York, New York, 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 District and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do 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, 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 certificates 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 per maturity will be issued for the Bonds, in the aggregate principal amount of such maturity, 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, corporate and municipal debt issues, and money market instrument (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 certificates 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"). Direct Participants and Indirect Participants are referred to herein as the "Participants". DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the certificate 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 the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with certificates 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 nor its nominee, the District, or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the 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 Participants.

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

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

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM. . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or 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 District 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, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. 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. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. 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 "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on any interest payment date of the Bonds means the close of business on the 15th calendar day of the preceding month.

In the event of a non-payment 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 District. 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

GENERAL . . . The following summary of the security for the Bonds is qualified in its entirety and reference is hereby made to APPENDIX B hereto and the Resolution, which set forth in further detail provisions relating to the security for the Bonds. For definitions of certain capitalized terms used but not defined herein. See "APPENDIX B – DEFINITIONS AND SELECTED PROVISIONS OF THE RESOLUTION." The District has no currently outstanding revenue debt secured by or payable from a lien on and pledge of the Gross Revenues, as further defined below. The Bonds are the initial revenue bonds issued under the Resolution. Under the Resolution, the District may issue Additional Parity Obligations, on a parity with the Bonds (collectively, the "Parity Obligations") upon the satisfaction of certain conditions described below in the subsection entitled "Additional Parity Obligations."

In the Resolution, the District covenants that while the Parity Obligations, including the Bonds, are outstanding, it will not additionally encumber the Gross Revenues in any manner, except as permitted in the Resolution in connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of the Resolution; however, the right of the District to issue or incur obligations payable from a subordinate lien on the Gross Revenues is specifically recognized and retained.

As described below in subsections "Rate Covenant," "Flow of Funds" and "Additional Parity Obligations," the District's enabling legislation allows the District to consider and recognize the revenues derived from ad valorem taxes levied and collected by the District for operation and maintenance purposes of the District in the calculation and application of (i) tariffs, rentals, tolls, fees, rates and charges for facilities and services afforded by the Port System, (ii) Gross Revenues and (iii) the covenant with respect to the issuance of Additional Parity Obligations.

PLEDGE OF GROSS REVENUES . . . The Bonds are limited, special obligations of the District, and together with any future outstanding "Parity Obligations," are payable from and equally and ratably secured solely by a first lien on and pledge of the "Gross Revenues" (as defined below), pursuant to the provisions of the Resolution, of the District. The Bonds are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal or mixed, constituting the District the Port System. **The Bonds do not constitute a general obligation of the District, are not payable from any funds raised or to be raised by taxation and Registered Owners of the Bonds shall never have the right to demand payment of the principal or interest on the Parity Obligations from any funds raised or to be raised through taxation by the District.**

"Gross Revenues" means, for any defined period, all revenues, income and receipts of every nature which may be received or derived by the District from its ownership and/or operation of the Port System or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or improvements to the Port System, purchased, constructed or otherwise acquired from time to time, including business interruption insurance, but shall not mean, and shall specifically exclude (1) the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged with respect to any Special Project; (2) any monies received as grants, appropriations, or gifts, to the extent that the person making such the grant, appropriation or gift prohibits the use of such monies for the payment of the principal of and/or interest on (or other amounts owed on) Parity Obligations; (3) insurance proceeds other than loss of use or business interruption insurance proceeds; (4) deposits, option fees and other funds collected by the District to which a third party holds a contractually based reversionary interest or other legal or equitable ownership interest; (5) Excluded Fee and Charge Revenues; (6) the proceeds of any user charge as may hereafter be collected by the District on behalf of and that is payable to the State, the United States, and any other governmental entities; (7) sales and other taxes collected by the District on behalf of and that are payable to the State and any other taxing entities; (8) Federal Payments, unless the District 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 Parity Obligations that provide for interest that is otherwise excludable from the gross income of the owners thereof for federal income tax purposes; (9) subject to certain exceptions in the Resolution, the proceeds received by the District from the sale of any Port System or property owned by the District; (10) income and investment earnings in the Project Fund or any rebate fund established with respect to any issue or series of Parity Obligations; and (11) any revenues derived from ad valorem taxes levied and collected by (or collected for) the District.

"Port System" means the District's dock and wharf and related facilities constituting the Port of Port Arthur and includes all properties, facilities, plants, improvements, equipment, interests and rights currently owned, operated and maintained by the District in connection with the ownership, operation, or maintenance of the District, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the District. The Port System shall not include any Special Project. See "Issuance of Special Project Obligations" below.

RATE COVENANT . . . In the Resolution, the District has covenanted, that while any of the Parity Obligations are Outstanding, including the Bonds, the District expressly stipulates and agrees, to establish and maintain tariffs, rentals, tolls, fees, rates and charges for facilities and services afforded by the Port System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

A. to produce amounts at least equal to the Annual Debt Service Requirements for all Outstanding Parity Obligations;

B. to produce amounts sufficient to enable the District to make the deposits and credits, if any, to (i) the Series 2026 Revenue Bond Reserve Fund to restore the Required Reserve Amount in accordance with the Resolution, including the payment of any Reserve Fund Obligation Payment then due, and (ii) other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations; and

C. to produce Net Revenues at least equal to 125% of the Annual Debt Service Requirements for all Outstanding Parity Obligations in such Fiscal Year. In calculating Net Revenues for such purpose, the ad valorem tax levied by the District in such Fiscal Year for Operation and Maintenance Expenses shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in such calculation.

"Maintenance and Operating Expenses" means the reasonable and necessary expenses of operation and maintenance of the Port System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, and all payments under contracts now or hereafter defined as operating expenses by the State Legislature, but excluding: (a) any allowance for depreciation; (b) costs of capital improvements; (c) allowances or costs for major capital improvements, operations, maintenance or repair; (d) any allowance for redemption of, or payment of principal, interest or premium on, any obligations of the District; (e) any liabilities incurred in acquiring or improving Port System; (f) expenses and operation and maintenance expenses pertaining to Special Projects; (g) any charges or obligations incurred in connection with any lawful District purpose, including (1) a function or project that produces or results in or is paid from Excluded Fee and Charge Revenue or (2) the lease, acquisition, operation or maintenance of any facility or property benefiting the Port System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of a special fund or other construction fund established by the District; (h) 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; and (i) 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.

Should the annual audit report required by the Resolution reflect that the Gross Revenues for the Fiscal Year covered thereby were less than necessary to meet the requirements of this section, the Board will review the operations of the Port System and the tariffs, rentals, tolls, fees, rates and charges for services provided, and the Board will make the necessary adjustments or revisions, if any, in order that the Gross Revenues for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

FLOW OF FUNDS . . . The Resolution provides that all Gross Revenues deposited and credited to the Revenue Fund shall be pledged and appropriated, as required by the Resolution, including this section and "Revenue Bond Debt Service Fund" and "Reserve Fund for the Bonds" below, to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of the amounts required to be deposited and credited to the Revenue Bond Debt Service Fund created and established for the payment of the Parity Obligations, including the Bonds, issued by the District as the same become due and payable.

SECOND: pro rata to the payment of the amounts required to be deposited and credited (i) to the Series 2026 Revenue Bond Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of the Resolution, including amounts owed with respect to any Reserve Fund Obligation to restore the Required Reserve Amount and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the resolutions relating to the issuance of any Additional Parity Obligations hereafter issued by the District.

THIRD: to the payment of, together with such amount of the ad valorem tax levied by the District for Operation and Maintenance Expenses to be applied for such period pursuant to the subsection "Other General Covenants – Maintenance Taxes" below, all necessary and reasonable Operation and Maintenance Expenses. For purposes of foregoing clause, Operation and Maintenance Expenses shall only include those current Operation and Maintenance Expenses due or payable within the next 30 days. The District shall also establish a three-month reserve amount based upon the budgeted amount of Operation and Maintenance Expenses for the current Fiscal Year, giving effect to the application of the ad valorem tax levied by the District for Operation and Maintenance Expenses as provided in clause C of the subsection "Rate Covenant" above, which amount shall be retained in the Revenue Fund.

FOURTH: to the payment of all other obligations of the Port System.

Whenever the total amount on deposit to the credit of the Revenue Bond Debt Service Fund is at least equal to the Annual Debt Service Requirements for all Outstanding Parity Obligations due in a Fiscal Year, no further deposits into the Revenue Bond Debt Service Fund need be made in such Fiscal Year. Whenever the total amounts on deposit to the credit of (i) the Series 2026 Revenue Bond Reserve Fund at least equal to the Required Reserve Amount and (ii) any other reserve fund established for any issue or series of Additional Parity Obligations are equal to their respective required reserve amounts, no further deposits into such reserve funds.

REVENUE BOND DEBT SERVICE FUND . . . For purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the District has agreed that it shall maintain the Revenue Bond Debt Service Fund. The District covenants to deposit and credit to the Revenue Bond Debt Service Fund the following amounts each month: (i) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month as will be sufficient, together with other amounts, if any, then on hand in the Revenue Bond Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Obligations on the next succeeding interest payment date; and (ii) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month as will be sufficient, together with other amounts, if any, then on hand in the Revenue Bond Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity Obligations (whether by maturity or earlier mandatory sinking fund redemption) on the next succeeding principal payment date.

In addition to the monthly deposits required under the above paragraph, the District covenants to deposit and credit to the Revenue Bond Debt Service Fund prior to each principal, interest payment or redemption date from the available Gross Revenues the additional amount required, if any, to fully pay the interest on and the principal of the Parity Obligations then falling due and payable.

The required deposits and credits to the Revenue Bond Debt Service Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to Revenue Bond Debt Service Fund and any reserve fund (excluding any Reserve Fund Obligation) available for a particular series of the Parity Obligations pursuant to the terms of such reserve fund equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest then coming due) or (ii) the Parity Obligations are no longer Outstanding.

RESERVE FUND FOR THE BONDS . . . Under the Resolution, the District is required to maintain the Series 2026 Bond Reserve Fund Account as a reserve fund for the in an amount equal to the Average Annual Debt Service for the Bonds (the "Required Reserve Amount"). The initial Required Reserve Amount relating to the Bonds is $1,912,279.75 and will not be funded with proceeds of the Bonds, but will be funded by the District at the time of delivery of the Bonds from lawfully available funds of the District. The Series 2026 Bond Reserve Fund will not secure any Additional Parity Obligations. The Resolution states that the District may create a reserve fund for the purpose of securing an issue of Additional Parity Obligations or a group of issues of Additional Parity Obligations.

All funds, investments and any Reserve Fund Obligations on deposit and credited to the Series 2026 Revenue Bond Reserve Fund shall be used solely (i) to pay the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments related to the Series 2026 Revenue Bond Reserve Fund and (iii) to retire the last stated maturity or maturities of, premium, if any, or interest on the Bonds.

When the aggregate amount of the cash, the amortized cost of investments and any Reserve Fund Obligations in the Series 2026 Revenue Bond Reserve Fund at any time is less than the Required Reserve Amount, the District covenants and agrees that the District shall cure the deficiency in the Series 2026 Revenue Bond Reserve Fund, but only from Gross Revenues remaining after any required payments of debt service and scheduled payments on all then Outstanding Parity Obligations have been made pursuant to the Resolution, by instituting deposits into such fund from such Gross Revenues in accordance with the Resolution by monthly deposits and credits in amounts equal to not less than 1/36th of the Required Reserve Amount with any such deficiency payments being made until the Required Reserve Amount has been fully restored; provided, however, that no such deposits shall be made into the Series 2026 Revenue Bond Reserve Fund during any period until there has been full payment of all scheduled payments on Outstanding Parity Obligations, through and including the next following interest payment date or principal payment date, as the case may be. In addition, in the event that a portion of the Required Reserve Amount of the Series 2026 Revenue Bond Reserve Fund is represented by a Reserve Fund Obligation, the portion of the Required Reserve Amount represented by such Reserve Fund Obligation shall be restored as soon as possible from monthly deposits of Gross Revenues in accordance with the Resolution, but subject to making the full payment of all scheduled payments on all then Outstanding Parity Obligations, through and including the next following interest payment date or principal payment date, as the case may be. The District has further covenanted and agreed that, subject to the Resolution, the Gross Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount of the Series 2026 Revenue Bond Reserve Fund, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Parity Obligations and to cure any deficiency in such amounts as required by the terms of the Resolution and any other resolution pertaining to the issuance of Additional Parity Obligations, all on an equal and pro rata basis unless any such reserve related to an issue or series of Additional Parity Obligations is expressly junior and subordinate to the Series 2026 Revenue Bond Reserve Fund.

During such time as the Series 2026 Revenue Bond Reserve Fund contains the Required Reserve Amount or any cash is replaced with a Reserve Fund Obligation pursuant to the Resolution the District may, at its option, withdraw all surplus funds in the Series 2026 Revenue Bond Reserve Fund and (i) deposit such surplus in the Revenue Bond Debt Service Fund to be used to pay debt service on the Bonds when due, (ii) deposit such surplus (or allocable portion thereof) in the Revenue Fund of the District for use as provided in the Resolution or (iii) otherwise use such surplus for any other manner permitted by State law.

A Reserve Fund Obligation issued in an amount equal to all or part of the Required Reserve Amount for the Bonds may be used in lieu of depositing cash into the Series 2026 Revenue Bond Reserve Fund. In addition, a Reserve Fund Obligation may be substituted for monies and investments or existing Reserve Fund Obligations in the Series 2026 Revenue Bond Reserve Fund if the substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the 2026 Bonds by any Rating Agency to be lowered, the Reserve Fund Obligation is approved by the Attorney General of the State, if then required by State law, and the resolution authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective.

ADDITIONAL PARITY OBLIGATIONS . . . The District shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver Additional Parity Obligations, in accordance with State law, in any amounts, for purposes authorized by State law, including refunding of any Parity Obligations or other obligations of the District incurred in connection with the ownership or operation of the Port System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with the Resolution, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Gross Revenues as herein granted.

Each resolution under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of the Resolution and the provisions of any other resolution or resolutions authorizing Additional Parity Obligations to be deposited to the credit of the Revenue Bond Debt Service Fund, the District shall deposit to the credit of the Revenue Bond Debt Service Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due.

The District may create and establish a reserve fund pursuant to the provisions of any resolution authorizing the issuance of Additional Parity Obligations, but consistent with the provisions of od subsections "Flow of Funds and "Series 2026 Bond Reserve Fund" above, including the period to cure any deficiency in such reserve fund, for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said reserve funds shall no longer constitute Gross Revenues and shall be held solely for the benefit of the Registered Owners of the particular Parity Obligations for which such reserve fund was established. Each such reserve fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such reserve fund from the Series 2026 Revenue Bond Reserve Fund and the reserve funds created for the benefit of other Parity Obligations.

Any Additional Parity Obligations shall be issued only in accordance with the Resolution, but notwithstanding any provisions of the Resolution to the contrary, no installment, series or issue of Additional Parity Obligations shall be issued or delivered unless:

(a) The Port Director of the District and the President or the Vice President of the Board sign a written certificate to the effect that the District is not in default as to any covenant, condition or obligation in connection with all outstanding Parity Obligations, and the resolutions authorizing same, and that the Revenue Bond Debt Service Fund, the Series 2026 Revenue Bond Reserve Fund and any reserve fund securing any other series or issue of Parity Obligations each contains the amount then required to be therein.

(b) (i) The Chief Financial Officer of the District signs and delivers to the District a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period during the preceding 24 months prior to the date issuance of the then proposed Additional Parity Obligations, the Net Revenues were, in the opinion thereof, at least equal to 125% of the Maximum Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations or (ii) the amount of estimated Net Revenues, as certified in a certificate of a Consulting Engineer, for the Fiscal Year in which such Additional Parity Obligations are to be issued and each of the five subsequent Fiscal Years is at least equal to 125% of the Annual Debt Service Requirements during each of such Fiscal Years (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations.

In calculating Net Revenues for purposes of subsection (b)(i) above, the ad valorem tax levied by the District in such Fiscal Year or applicable twelve consecutive calendar month period, as the case may be, for Operation and Maintenance Expenses shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in such calculation. In calculating Net Revenues for purposes of subsection (b)(ii) above, the Chief Financial Officer of the District shall provide to the Consulting Engineer an estimate of the ad valorem tax to be levied by the District in each such Fiscal Year for Operation and Maintenance Expenses shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in the calculation of the Consulting Engineer.

(c) In making a determination of Net Revenues for any of the purposes described in this section, the Chief Financial Officer of the District or the Consulting Engineer, as the case may be, may take into consideration a change in the tariffs, rentals, tolls, fees, rates and charges for services and facilities afforded by the Port System that became effective at least 60 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues tests described above, make a pro forma determination of the Net Revenues of the Port System for the period of time covered by the certification or opinion of the Chief Financial Officer of the District or the Consulting Engineer, respectively, based on such change in tariffs, rentals, tolls, fees, rates and charges being in effect for the entire period covered by such certificate or opinion.

The District reserves the right to issue Additional Parity Obligations to refund all or any part of the Outstanding Parity Obligations or any other obligations of the District payable, in whole or in part, from the Gross Revenues, pursuant to any State law then available, upon such terms and conditions as the Board may deem to be in the best interest of the District and the customers of the Port System, and, unless all of the then Outstanding Parity Obligations are refunded, the conditions precedent prescribed for the issuance of Additional Parity Obligations and the representations and certifications required in this section shall be satisfied and shall give effect to the Annual Debt Service Requirements of the proposed refunding Additional Parity Obligations (but shall not give effect to the Annual Debt Service Requirements of the obligations being refunded following their refunding); provided, however, if as a result of such refunding the Annual Debt Service Requirements are not increased in any Fiscal Year, the District shall not be required to satisfy the requirements of immediate foregoing paragraph as a requirement for the issuance of such refunding Additional Parity Obligations.

ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS . . . In the Resolution, the District has reserved the right to issue, at any time, obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of the Gross Revenues securing the payment of the Parity Obligations, as may be authorized by the laws of the State.

ISSUANCE OF SPECIAL PROJECT OBLIGATIONS . . . In the Resolution, the District has also reserved the right to issue obligations for or related to any Special Project secured by liens on and pledges of revenues and proceeds derived from Special Projects (which do not constitute a part of Gross Revenues).

OTHER GENERAL COVENANTS

Title. In the Resolution, the District covenants that it has or will obtain lawful title to the lands, buildings, structures and facilities constituting the Port System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Registered Owners of the Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Gross Revenues to the payment of the Bonds and Additional Parity Obligations in the manner prescribed in the Resolution, and has lawfully exercised such rights.

Liens. In the Resolution, the District covenants that it will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the Port System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by State law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens of the Resolution, so that the priority of the liens granted under the Resolution shall be fully preserved in the manner provided therein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens of the Resolution, or do or suffer any matter or thing whereby the liens of the Resolution might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

Operation of Facilities; No Free Service. The District will, while the Parity Obligations are Outstanding and unpaid, continuously and efficiently operate the Port System, and shall maintain the Port System in good condition, repair and working order, all at reasonable cost. No free service of the Port System shall be allowed, except (i) the customary dockage temporarily provided without charge to federal vessels, including vessels belonging to the United States Coast Guard and the United States Navy, and to other vessels temporarily stranded at the District's docks due to inclement weather or other temporary reasons, (ii) services provided each year in connection with certain established community events and to certain nonprofit organizations for social service purposes, (iii) no or below market rent in certain warehouses and buildings for nonprofit organizations providing services to or which benefit the District or which improve the general welfare of the District; and (iv) utility easements on the real property of the District granted for utility lines to the District's customers.

Sale or Disposal of Property. In the Resolution, the District covenants that while the Parity Obligations are Outstanding, it will not sell, convey, mortgage, encumber or otherwise dispose of the Port System, or any significant or substantial part thereof as determined by the District; provided, that the District retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Port System if (i) the Port Director of the District delivers a certificate to the Board to the effect that, following such action by the Board, the District is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the District contained in the Resolution and in the resolutions authorizing the issuance of Additional Parity Obligations; (ii) the Board makes a finding and determination to the same effect as the certificate of the Port Director of the District set forth in (i) above, and (iii) each national rating service then maintaining a rating on any Parity Obligation delivers a letter or other written confirmation to the

District to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the rating agency to withdraw or lower the rating then in effect. It is further provided that whenever the Board determines that any property, machinery, fixtures or equipment is no longer useful in the operations of the Port System, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Port System or to purchase, redeem or defease Parity Obligations. Notwithstanding anything to the contrary contained in this section, the District specifically retains the right to enter into leases of its properties in the ordinary course of its business upon a finding by the Board to the effect that the lease is expected to have a positive impact on Gross Revenues over the term of the lease.

Insurance. In the Resolution, the District covenants that it shall cause to be insured such parts of the Port System as would usually be insured by navigation districts in the State operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by navigation districts in the State operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the General Counsel of the District gives a written opinion to the effect that the District is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Registered Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the District shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the District. The proceeds of insurance covering such property are hereby pledged as security for the Parity Obligations (except as otherwise provided in the definition of Gross Revenues in Exhibit A) and, together with any other funds necessary and available for such purpose, shall be used forthwith by the District for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Port System shall be used as provided in the Resolution. See "APPENDIX B – DEFINITIONS AND SELECTED PROVISIONS OF THE RESOLUTION – Section 21(h)."

Maintenance Taxes. In the Resolution, the District pledges and will, within the limits and to the extent permitted by State law, levy and collect ad valorem taxes for the purpose of paying the Operation and Maintenance Expenses of the Port System in an amount which, together with Gross Revenues as shall, in the judgment of the Board be available for such purpose, will be sufficient to pay the Operation and Maintenance Expenses as provided in the Resolution, including subsection "Flow of Funds" above. All such taxes shall be (i) be deposited to the credit of the Revenue Fund, (ii) separately accounted for and (iii) used to pay the Operation and Maintenance Expenses of the Port System. No part of any moneys raised or to be raised by such tax shall ever be used for the payment of the principal of or interest on any Parity Obligations, including the Bonds.

DEFEASANCE

The Resolution provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities.

"Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and, (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption that have been defeased to stated maturity is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Because the Resolution provides that securities or obligations that may be authorized under future State law may also be used to defease the Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease the Bonds as described in this section will be maintained at any particular rating category.

AMENDMENTS TO RESOLUTION

The District may amend the Resolution for any one or more of the following purposes at any time without notice to or the consent of any Registered Owner of the Outstanding Parity Obligations, solely for any one or more of the following purposes: (i) to add to the covenants and agreements of the District contained in the Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the District in the Resolution; (ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the District of an approving written opinion of counsel, acceptable to the District, that the same is needed for such purpose, and will more clearly express the intent of the Resolution; (iii) to supplement the security and pledge for the Outstanding Parity Obligations in accordance with the tate law; (iv) to make such other changes in the provisions hereof as the District may deem necessary or desirable and which shall not, in the judgment of the District, materially adversely affect the interests of the Registered Owners of Outstanding Parity Obligations; (v) to make any changes or corrections prior to the initial delivery of the Bonds as contemplated in the Resolution; or (vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the Registered Owners of the Outstanding Parity Obligations. In addition, the District may, with the written approval of the registered owners of a majority in aggregate principal amount of the Parity Obligations then outstanding affected thereby, amend the provisions of the Resolution; except that, without the consent of the registered owners of all of the Parity Obligations affected, no such amendment may (i) grant to the Registered Owners of any Outstanding Parity Obligations a priority over the Registered Owners of any other Outstanding Parity Obligations; (ii) materially adversely affect the rights of the Registered Owners of less than all Parity Obligations then Outstanding; (iii) change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; (iv) make any change in the maturity of any Outstanding Parity Obligations; (v) reduce the rate of interest borne by any Outstanding Parity Obligations; (vi) reduce the amount of the principal payable on any Outstanding Parity Obligations; (vii) modify the terms of payment of the amounts required to meet any financial obligations of the District relating to the Outstanding Parity Obligations, including payments due on or with respect to the payment of any Outstanding Parity Obligations, or impose any conditions with respect to such; or (viii) amend the provisions of this sentence.

DEFAULTS AND REMEDIES

The Resolution provides specific covenants with respect to the Bonds. The following constitute an "Event of Default": if the District defaults (i) in the payment of the principal, premium, if any, or interest on the Bonds, (ii) in the deposits and credits required to be made to the Revenue Bond Debt Service Fund or Series 2026 Revenue Bond Reserve Fund or (iii) in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Resolution, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Registered Owner to the District.

Upon the happening of any Event of Default, then and in every case, any Registered Owner of the Bonds or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the District, or any official, officer or employee of the District in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners of the Bonds 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 in the Resolution, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners of the Bonds hereunder or any combination of such remedies.

It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Parity Obligations then Outstanding.

No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the Resolution, the right to accelerate any Parity Obligation shall not be available as a remedy under the Resolution.

BONDHOLDERS' REMEDIES

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia 49 Tex. Sup. Ct. J. 819 (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 District, permits the District 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 District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District'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 District for breach of the Bonds or the Resolution. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

THE DISTRICT

GENERAL . . . The District was created by a Special Act of the 58th Legislature under provisions of Section 59, Article XVI of the Texas Constitution, ratified by referendum on June 13, 1964. The District is independent from other local or state governments and operates within District boundaries of approximately 59 square miles, including the City of Port Arthur and a part of the City of Groves. The five-member elected Board of Port Commissioners governs the affairs of the District, with management responsibilities vested in the Executive Port Director. The District provides the services of a Public Ocean Terminal with railroad access to the nation.

The Port Arthur Navigation District Industrial Development Corporation ("PANDIDC"), a Texas nonprofit industrial development corporation, was created by and acts on behalf of the District to promote and develop new and expanded enterprises in the District, and to promote and encourage employment and public welfare. Bonds issued by PANDIDC are payable from revenue derived from the industrial development facilities funded by industrial development bonds issued by PANDIDC. The PANDIDC bonds created a lien on the related revenues and facilities and not on any District revenues or properties. The PANDIDC bonds are not a liability or contingent liability of the District.

DISTRICT OPERATIONS . . . Located in Southeast Texas and 19 miles from the Gulf of Mexico, the District's port opened as a deep draft port in 1969 with two berths serving 1,200 linear feet of dock. The District today operates six berths with almost 5,000 linear feet of dock, with roll-on roll-off, liquid energy and dry bulk loading capabilities.

Approximately 30 acres of open dock and backland transit areas support customer cargo movement in addition to 550,000 square feet of transit shed space. Capital plans include a revamping and expansion of Transit Shed 1, an additional five acres of backlands stabilization, an added 50,000 square foot transit shed with increased rail capacity. Projects to increase laydown space and truck queuing areas are also underway.

The District's port is situated on the co-located deep draft Sabine Neches Waterway ("SNWW") providing access to global markets and the Gulf Intracoastal Waterway ("GIWW") connecting the nation's inland waterborne commerce. The Sabine Neches Navigation District is the local sponsor of a $1.4 billion federal channel improvement project that is currently underway. The project will deepen the SNWW from the current 40 feet to 48 feet allowing for access to larger vessels and more effective management of waterway traffic.

OPERATING HISTORY . . . Summaries of the District's revenues and operating expenditures have been prepared from audited financial records of the District for the fiscal year ended July 31, 2025 and can be found in APPENDIX C, Schedule 8. Such summaries do not purport to be complete and prospective purchasers of the Bonds are advised to refer to the audited financial statements for complete information concerning the District's finances. See "APPENDIX C – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT OF THE PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS, FOR THE FISCAL YEAR ENDED JULY".

EMPLOYEE RETIREMENT SYSTEM . . . The District provides pension, disability and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the State-wide Texas County and District Retirement System ("TCDRS"). The District has elected the annually determined contribution rate plan provisions of the TCDRS. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. For more information on the District's Employee Retirement System, see the audited Annual Financial Statement for the year ended July 31, 2025. See "APPENDIX C – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT OF THE PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS, FOR THE FISCAL YEAR ENDED JULY".

OTHER POST-EMPLOYMENT BENEFITS . . . The District offers its employees a deferred compensation plan through the Mission Square Retirement, created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years in order to provide them with retirement income and other deferred benefits. The plan is funded entirely by employee contributions. The District has no post-employment benefits for which it is liable.

POLLUTION CONTROL REVENUE BONDS . . . The District is authorized under State law to issue revenue bonds to finance the acquisition, construction and improvement of facilities designed to reduce or eliminate pollution and to lease or sell such facilities. As of July 31, 2025, the District has issued $987,925,000 of such pollution control bonds. The pollution control bonds are special obligations and are payable solely out of revenue derived from the users of the projects and not on any District revenues or properties. The pollution control bonds are not a liability or contingent liability of the District.

CAPITAL PLAN …With the Fiscal Year 2025-2026 budget, the District prepared and adopted a five-year capital plan. This plan is updated annually to provide for additional projects and revised project timelines and budgets. Funding for all the projects included in the plan (those currently in progress and going forward through Fiscal Year 2029) total $156.1 million. Funding is provided from various sources - including voter approved general obligation bonds, proposed revenue supported bonds, federal and state grants, and District operating revenue.

The District is anticipating sale of a District unlimited tax bond issue in an aggregate principal amount not to exceed $3,457,500.00 within 90 days of the issuance of the Bonds. This budget includes estimated project funding as outlined in the capital budget and estimated debt service requirements. No additional future debt is planned at this time.

The District has been successful in pursuing federal and state funding, providing 42% of the capital program funds. The balance of the funding is provided by the District through debt financing or utilization of operating reserves.

SUMMARY OF THE PROJECTS CURRENTLY IN PROCESS BY THE DISTRICT

	Fiscal Year Ended July 31,					
		Estimated				
	2025	2026	2027	2028	2029	Total
Sources of Funds:						
Grant Funds	$ 7,762,694	$ 22,927,686	$ 26,612,792	$ 6,152,111	$ 1,852,645	$ 65,307,928
Port Revenue Funds	4,234,629	9,017,652	5,112,495	47,902,680	125,000	66,392,456
Revenue Bond Funds	-	2,286,000	18,180,247	2,724,987	1,245,355	24,436,589
Total Sources of Funds	**$ 11,997,323**	**$ 34,231,338**	**$ 49,905,534**	**$ 56,779,778**	**$ 3,223,000**	**$ 156,136,973**
Uses of Funds:						
Federally Funded Construction Projects						
Berth 5 Backlands	$ 2,496,173	$ 2,992,200	$ -	$ -	$ -	$ 5,488,373
Transit Shed 1 Replacement	481,477	7,620,000	5,787,413	-	-	13,888,890
320 Houston Ave Laydown	18,425	99,361	3,708,151	-	-	3,825,937
Austin Ave. Laydown	63,354	324,824	8,279,400	3,457,430	-	12,125,008
501 Houston Ave. Admin. Bldg.	279,497	193,000	3,680,000	1,195,930	-	5,348,427
Transit Shed and Rail Expansion	12,773	490,000	6,008,980	1,492,000	-	8,003,753
Total Federally Funded Construction Projects	3,351,699	11,719,385	27,463,944	6,145,360	-	48,680,388
TxDOT Funded Projects						
Railyard Flyover Project	2,259,563	14,400,104	14,963,462	667,418	-	32,290,547
Traffic Relief and Truck Staging	-	-	500,000	1,500,000	2,723,000	4,723,000
2.5 Acre Multimodal Laydown	82,448	1,000,000	1,492,402	-	-	2,574,850
5 Acre Truck Queuing	1,668,771	2,767,043	-	-	-	4,435,814
Total TxDOT Funded Projects	4,010,782	18,167,147	16,955,864	2,167,418	2,723,000	44,024,211
Port Security Grants	3,708,324	1,225,077	2,335,726	1,067,000	500,000	8,836,127
Port Funded Projects						
Berth 1&2 Cathodic Protection System	16,012	333	500,000	-	-	516,345
Berth 1-5 Structural Assessment	136,253	4,425	-	-	-	140,678
Berth 1-4 Repairs	-	-	2,000,000	500,000	-	2,500,000
Big Arthur Repairs	95,410	605,205	-	-	-	700,615
Rev. Ransom Howard St. Bldg. Rehab.	100,875	1,617,696	-	-	-	1,718,571
Berth 6 - Post Completion Costs	-	1,029	-	-	-	1,029
Port Development	525,787	500,000	500,000	500,000	-	2,025,787
Houston Avenue Improvements	-	250,000	-	-	-	250,000
Terminal Rail Expansion	-	-	-	10,000,000	-	10,000,000
Berths 7&8	-	-	-	36,400,000	-	36,400,000
Demolition of Port Properties	23,860	141,041	50,000	-	-	214,901
Sprinkler Systems Rehabilitation	28,321	-	100,000	-	-	128,321
Total Port Funded Projects	926,518	3,119,729	3,150,000	47,400,000	-	54,596,247
Total Uses of Funds	**$ 11,997,323**	**$ 34,231,338**	**$ 49,905,534**	**$ 56,779,778**	**$ 3,223,000**	**$ 156,136,973**

Grant Funded Projects
The federal and state funding received provides various levels of support, requiring Port participation as well. The matching funds will be provided by both debt proceeds and operating revenues. Current grant projects include:

- For the first time, the State dedicated funding for ports in the 88th Legislative Session (2023). The District was successful in securing funding from the Maritime Infrastructure Program and the Seaport Connectivity Program in a total amount of $19.6 million for the Railyard Flyover Project.
- In 2025, the 89th Legislative Session funded the Seaport Connectivity Program and the District's project for Turn Lane Traffic Relief and Truck Staging Area, with a budget of $4.7 million is included with $3.5 million funding.
- Other *Texas Department of Transportation* projects include the Multi Modal and Truck queuing Areas currently under construction. A 5-acre truck queuing and staging area was completed in Fiscal Year 2026 at a cost of $4.4 million, of which $1.5 million was funded by Texas Department of Transportation.
- *Port Security Grant* Rounds 23, 24 and 25 are underway and will continue to completion in Fiscal Year 2027 and beyond. The District is preparing to submit an application to FEMA for Round 26 with an anticipated asking of $2 million.
- *Shed 1* - The previous 80,000 square foot building has been demolished and is to be replaced with 100,000 square foot logistics facility which will increase storage capacity while improving productivity through a more efficient design. This project has an estimated cost of $13.9 million supported by MARAD Port Infrastructure and Development Program Funds, District reserve funds and upon issue, Port Revenue Bond funds. This project is expected to be complete during Fiscal Year 2027.
- The $13.6 million MARAD RAISE grant will fund 70% of the $19 million improvement of 2 laydown areas and District administration office renovation. These projects are currently under design.
- The District was awarded a PIDP Community Funding Request project. This $6 million grant will fund a new $10 million cargo shed located near 200 Houston Ave. This project is currently under design.

Port Revenue Funded Projects are those other projects that are funded entirely by the District 's operating funds. For Fiscal Year 2026, the following projects carried over from prior years and are scheduled to begin or complete in the coming year:

- Port development. A project to enhance wayfinding, appearance, and blight reduction in the area near the port, a focus on developing a Port District area near the port and along Houston Avenue has been included in this year's plan.
- Additional projects for Berth 1&2 Cathodic Protection System Upgrade, Berth 1-4 Repairs and the Administrative Office Renovation.

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TABLE 1 - CARGO TONNAGE SUMMARY

During Fiscal Year 2025, a total of 985,688 short tons of cargo have been moved through the District. The following is a breakdown of the commodities shipped and the movement of summary of that cargo.

	Fiscal Year Ended July 31,				
	2025	2024	2023	2022	2021
Commodity (in Short Tons)					
Exports					
Wood Pellets	338,939	351,689	328,432	306,749	312,741
Linerboard	44,608	57,883	41,544	54,503	35,163
Ethanol	2,270	--	--	--	--
Pipe	6,493	--	--	--	--
Cyclohexane	--	17,031	--	--	--
Gasoline	--	16,854	7,084	--	--
Military Cargo	1,957	8,945	16,539	17,485	20,200
Pipe	--	3,896	3,087	--	6,198
Miscellaneous Cargo	--	1,643	3,783	--	--
Project Cargo	126	456	2,559	1,329	156
Ultra Low Sulfur Diesel	--	416	411,942	3,214,186	3,816,682
Containers	--	65	--	458	--
Paraxylene	--	--	13,242	--	--
Toluene	--	--	6,604	--	--
Benzene	--	--	6,602	--	--
Lignite Supersack	--	--	2,196	--	--
Wood Pulp-Rolls and Bales	--	--	--	8,629	97,077
Aluminum	--	--	--	--	1,198
Total Exports	**394,393**	**458,878**	**843,614**	**3,603,339**	**4,289,415**
Imports					
Wood Pulp	438,946	517,886	475,188	532,519	341,138
Lumber	54,215	71,119	93,233	90,182	74,664
Aluminum Products	49,655	39,337	50,833	44,192	24,559
Military Products	14,280	22,150	22,589	18,217	34,312
Fiberboard	982	21,990	26,005	15,304	18,772
Pipe	1,287	20,409	--	--	--
Project Cargo	31,831	18,274	260	3,738	5,644
Polished Stone	99	--	--	--	--
Plywood	--	753	5,322	27,701	--
Veneer Core	--	45	--	--	--
Containers	--	28	--	15	4,290
Hardwood, Pegboard	--	--	2,385	10,165	26
Total Exports	**591,295**	**711,991**	**675,815**	**742,033**	**503,405**
Total Tonnage	**985,688**	**1,170,869**	**1,519,429**	**4,345,372**	**4,792,820**

TABLE 2 - CARGO MOVEMENT SUMMARY

	Fiscal Year Ended July 31,				
	2025	2024	2023	2022	2021
Vessel Counts					
Ships	115	120	102	170	170
Layberths	92	68	58	42	23
Tugs	--	--	--	--	--
Barges	21	17	--	1	2
Railcars	2,611	4,816	3,707	4,693	3,130
Trucks	5,248	13,144	17,099	16,562	14,962
Lightering	4	25	22	3	--
Total Vessel Count	**8,091**	**18,190**	**20,988**	**21,471**	**18,287**

DEBT INFORMATION

TABLE 3 – SYSTEM DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 7/31	The Bonds[1] Principal	The Bonds[1] Interest	The Bonds[1] Total	Total Debt Service	% of Principal Retired
2027	$ 1,190,000	$ 722,693	$ 1,912,693	$ 1,912,693	
2028	460,000	1,453,113	1,913,113	1,913,113	
2029	480,000	1,430,113	1,910,113	1,910,113	
2030	505,000	1,406,113	1,911,113	1,911,113	
2031	530,000	1,380,863	1,910,863	1,910,863	10.55%
2032	560,000	1,354,363	1,914,363	1,914,363	
2033	585,000	1,326,363	1,911,363	1,911,363	
2034	615,000	1,297,113	1,912,113	1,912,113	
2035	645,000	1,266,363	1,911,363	1,911,363	
2036	680,000	1,234,113	1,914,113	1,914,113	20.83%
2037	710,000	1,200,113	1,910,113	1,910,113	
2038	750,000	1,164,613	1,914,613	1,914,613	
2039	785,000	1,127,113	1,912,113	1,912,113	
2040	825,000	1,087,863	1,912,863	1,912,863	
2041	865,000	1,046,613	1,911,613	1,911,613	33.95%
2042	910,000	1,003,363	1,913,363	1,913,363	
2043	955,000	955,588	1,910,588	1,910,588	
2044	1,005,000	905,450	1,910,450	1,910,450	
2045	1,060,000	852,688	1,912,688	1,912,688	
2046	1,115,000	797,038	1,912,038	1,912,038	50.77%
2047	1,175,000	738,500	1,913,500	1,913,500	
2048	1,235,000	679,750	1,914,750	1,914,750	
2049	1,295,000	618,000	1,913,000	1,913,000	
2050	1,360,000	553,250	1,913,250	1,913,250	
2051	1,425,000	485,250	1,910,250	1,910,250	72.40%
2052	1,500,000	414,000	1,914,000	1,914,000	
2053	1,575,000	339,000	1,914,000	1,914,000	
2054	1,650,000	260,250	1,910,250	1,910,250	
2055	1,735,000	177,750	1,912,750	1,912,750	
2056	1,820,000	91,000	1,911,000	1,911,000	100.00%
	$ 30,000,000	$ 27,368,393	$ 57,368,393	$ 57,368,393	

(1) Reflects mandatory sinking fund redemption of Term Bonds in 2043 and 2056.

ANTICIPATED ISSUANCE OF REVENUE DEBT . . . The District currently does not anticipate the issuance of additional revenue debt within the next twelve months.

FINANCIAL INFORMATION

TABLE 4 – CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended July 31,				
	2025	2024	2023	2022	2021
Operating Revenues:					
Cargo Handling	$ 7,290,259	$ 8,430,289	$ 6,619,418	$ 8,950,634	$ 7,354,806
Wharfage	1,522,988	1,806,720	1,316,257	1,145,107	918,969
Dockage	3,285,184	3,195,412	2,738,105	2,286,175	1,704,607
Security Surcharges	541,542	567,364	461,402	480,510	582,302
Gantry Crane Use	153,590	289,644	81,403	85,776	-
Cleaning	265,789	298,704	248,918	228,061	190,344
Line Handling	393,823	365,572	286,317	319,298	282,416
Shed and Pier Hire	185,852	212,852	183,005	198,642	156,632
Storage Fees	2,185,335	1,153,499	1,772,914	329,705	529,048
Diesel Terminal Revenue	- (1)	- (1)	- (1)	846,907	1,759,279
Other Fees	587,670	718,248	562,442	185,830	166,687
Property Rental	518,981	337,600	74,400	184,984	227,497
Lease Revenue(2)	3,199,475	3,149,358	1,608,251	1,562,466	1,590,435
Intergovernmental Revenue	- (3)	693,000	618,750	1,565,577	-
Total Operating Revenues	$ 20,130,488	$ 21,218,262	$ 16,571,582	$ 18,369,672	$ 15,463,022
Non-Operating Revenues:					
Nonrestricted	1,885,981	1,808,873	2,449,794	926,266	85,820
Other	- (4)	69,000	959,729	362,085	557,979
Total Non-Operating Revenues	$ 1,885,981	$ 1,877,873	$ 3,409,523	$ 1,288,351	$ 643,799
Gross Revenues	**$ 22,016,469**	**$ 23,096,135**	**$ 19,981,105**	**$ 19,658,023**	**$ 16,106,821**
Operation and Maintenance Expenses:					
Personnel	$ 4,051,095	$ 3,728,994	$ 3,391,754	$ 2,638,455	$ 2,955,537
Promotion and Development Expense	546,768	499,056	431,539	348,406	298,403
Insurance and Bonds	2,641,154	2,202,730	1,914,144	1,325,235	1,295,544
Other general and administrative expense	1,332,943	1,092,120	1,041,783	970,321	1,085,675
Cargo Handling	5,531,307	6,858,744	5,289,578	5,097,935	4,985,545
Maintenance Dredging	4,187,299	2,449,018	1,729,667	2,185,488	3,383,071
Other Maintenance and Operating Expense	4,066,103	3,874,736	3,866,936	6,401,255	5,062,344
Total Operating Expenses	$ 22,356,669	$ 20,705,398	$ 17,665,401	$ 18,967,095	$ 19,066,119
Less: M&O Ad Valorem Tax Collections(5)	$ 7,792,762	$ 7,684,083	$ 6,156,632	$ 6,142,466	$ 6,289,924
Net Operation and Maintenance Expenses	$ 14,563,907	$ 13,021,315	$ 11,508,769	$ 12,824,629	$ 12,776,195
Net Revenues	**$ 7,452,562**	**$ 10,074,820**	**$ 8,472,336**	**$ 6,833,394**	**$ 3,330,626**

(1) Beginning in fiscal year 2022, the district reclassified the fixed portion of Diesel Terminal Revenue into Lease Revenue.
(2) The Port receives annual revenue of approximately $2.3 million pursuant to a lease with Colonial Terminal Logistics, LLC that operates a refined petroleum products and blendstocks marine transfer facility at the Port's Berth #3. The initial term of the lease expires on September 30, 2027, but may be extended for up to an additional 20 years. There is no assurance that the lease will be extended. If the lease is not extended, the Port believes the site will be leased to another operator for similar operations; however, the Port gives no assurances if and when such succeeding lease and operations would occur.
(3) Does not include $6,971,958 of Energy Transfer Funds as this is a nonrecurring revenue.
(4) Does not include $3,435,279.76 of Damage Claims and Settlements as this is a nonrecurring revenue.
(5) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant," "- Flow of Funds," "- Additional Parity Obligations" and "- Other General Covenants – Maintenance Taxes."

TABLE 5 – COVERAGE AND FUND BALANCES[1]

Average annual Principal and Interest Requirements, 2027 - 2056	$	1,912,280
Coverage of Average Requirements by 7/31/25 Net Available for Debt Service		3.90 Times
Maximum Principal and Interest Requirements, 2027	$	1,914,750
Coverage of Maximum Requirements by 7/31/25 Net Available for Debt Service		3.89 Times
The Bonds Outstanding, 4/30/26	$	30,000,000
Revenue Interest & Sinking Fund, 4/30/26[1]	$	-
Reserve Fund, 4/30/26[2]	$	-

(1) Not applicable as the District has no outstanding revenue bonds prior to the issuance of the Bonds.
(2) At closing, the Reserve Fund will be funded in an amount of $1,912,279.75 with District funds.

FINANCIAL POLICIES

Basis of Accounting: The District policy is to adhere to the accounting principles set out by the Governmental Accounting, as amended. See "APPENDIX C – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT OF THE PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS, FOR THE FISCAL YEAR ENDED JULY.")

Fund Balance in Operating Funds: On July 19, 2025, the Board of Port Commissioners adopted a Working Capital/Reserve Policy in order to ensure that the District maintains adequate reserves in operating funds and provides the capacity to: (1) meet daily cash flow financial needs, (2) secure and maintain investment grade bond ratings, (3) offset significant economic downturns or revenue shortfalls, and (4) provide funds for unforeseen expenditures related to emergencies.

The fund balance/reserve levels established by this policy are in addition to all other reserves, including but not limited to amounts reserved for debt service. The District established a fund balance target level to maintain adequate cash flow and reduce the demand for short-term borrowing. The unassigned fund balance is the residual amount available that has not been restricted, committed, or assigned to a specific purpose.

Revenue Fund - The District's goal is to maintain the Revenue Fund at a minimum balance of at least 50% of annual operating expenses. This level is required to buffer against the volatile nature of operating terminal revenues. In addition, these funds are necessary to maintain adequate funding to respond to emergencies and natural disasters.

Tax Collections for Debt Service. Jefferson County (the "County"), collects taxes for the District, and divides each dollar of taxes collected into its component parts of Maintenance and Operations and Debt Service (for the District's unlimited tax bonds) and remits the taxes to the District upon receipt. The District deposits interest and sinking fund taxes collected by the County on behalf of the District into separate accounts where such monies are invested until required.

Use of Bond Proceeds, Grants, Etc. The District's policy is to use bond proceeds for capital expenditures only. Such proceeds are not used to fund operations other than capital related expenses.

Budgetary Procedures. The District's annual budget is prepared by the Executive Port Director. The preliminary budget is presented to the Board of Port Commissioners for review where it is refined until adoption no later than July 31 of each year. On May 13, 2026, the Board of Port Commissioners adopted the budget for Fiscal Year 2026-27. This budget was based upon the assumption of tax collections at a 98% rate. The Board of Port Commissioners is responsible for monitoring the expenditures of the District to ensure that they do not exceed appropriations.

INVESTMENT POLICY

The District invests its funds in investments authorized by Texas law in accordance with written investment policies approved by the District, a copy of which is available upon request. Among other things, the District's investment policy provides that the investment officers maintain a list of financial institutions authorized by the Board to provide investment services to the District. The investment officers also shall conduct an annual review to determine the financial and operating status of each broker/dealer and prepare and submit to the Board a quarterly report of investment transactions and holdings of the District's funds. Both Texas law and the District's investment policies are subject to change. As required under Texas law, the District's written investment strategy and policy emphasize safety of principal and liquidity, and address investment diversification, yield, maturity, and the quality and capability of investment management.

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less 14 than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by Bonds described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where; (a) the funds are invested by the District through a depository institution that has a main office or branch office in this state and that is selected by the District; (b) the depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the District with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the District receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the District through the depository institution selected under clause (ii)(a) above, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (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 of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 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, (12) no-loan money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District 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 AAA-m or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et. seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payments 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.

TABLE 6 - CURRENT INVESTMENTS

As of March 31, 2026, the District's investable funds were invested in the following categories:

Description	% of Portfolio	Book Value
Unrestricted Funds		
Certificates of Deposits	2.60%	$ 1,480,000.00
US Federal Agency Securities	40.36%	22,999,304.21
State Investment Pools	48.99%	27,911,161.86
	91.95%	$ 52,390,466.07
Restricted Funds		
State Investment Pools	8.05%	$ 4,588,259.26
Total	100.00%	$ 56,978,725.33

As of March 31, 2026, the District has $56,978,725 invested in certificates of deposits, bonds and other investments. The market value of such investments is approximately 100% of their book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

FACTORS TO BE CONSIDERED IN INVESTING IN THE BONDS

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 Gross Revenues of the Port System. Future revenues and expenses of the District 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 District will realize Gross Revenues in amounts sufficient to generate revenues sufficient to allow the Port to make payments of principal, interest and premium, if any, on the Bonds, any Additional Parity Obligations and the Operation and Maintenance Expenses of the Port System (necessary to generate future Gross Revenues). Future revenues and expenses of the District are subject to a variety of economic and other factors and conditions, including without limitation (a) market and regulatory changes affecting the oil and gas and petrochemical industries, (b) unforeseen decreases in demand for the facilities comprising the Port System occasioned by increased and more effective competition from other ports situated on the Gulf Coast, the development of competing pipeline infrastructure, 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 oil industry 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 the Port System due to acts of war, terrorism, epidemic or disease in foreign countries or in domestic locations that utilize the Port System, 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, 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 District, which would have a detrimental impact on the District’s ability to satisfy its debt service obligations on the Bonds.

Jones Act of 1920

The Jones Act of 1920 requires that when goods are moved between U.S. ports, they must be carried on vessels that are U.S. built, owned, operated and crewed. Working in the Jones Act marketplace can result in costs that are far higher than if such restrictions did not apply. The District's revenues are not directly correlated to the movement of liquid energy products as most of those products are shipped via private terminals. However, waterway traffic activity from the various private terminals does create lay berth and lightering opportunities for tankers, barges and articulated tug barges at the District's facilities. Providing lay berth and lightering services generates some revenues of the District. Such operations are incidental to and support the waterway industrial base and private terminal activity. The District handles shallow draft vessels; most are U.S. flagged vessels for domestic movement coastwise and inland waterways. The deep draft vessels calling the public terminals at the District represent import and export volumes. A combination of U.S. and foreign flagged vessels call upon the District's facilities.

Certain Regulatory Risks

The District is subject to the general requirements of federal and state regulations and permitting. Except as otherwise disclosed in this Official Statement, to the knowledge of the District, no regulatory action has been taken or is threatened and no regulatory approval is required or pending that would materially affect the Gross Revenues, Operation and Maintenance Expenses or the ability of the District to complete any planned construction program. Nevertheless, federal or state adoption of unforeseen regulations could result in a reduction in Gross Revenues, an increase in Operation and Maintenance Expenses (and the resulting Net Revenues), or the loss of the District's ability to operate all or a portion of the Port System. Any such developments could adversely impact the District's ability to satisfy its debt service obligations on the Bonds.

Concentration of Customer Base and Business Lines

The majority of the District's revenues are derived from dockage, storage, wharfage fees and other traditional port related fees. Other revenues sources include ground leases. There is a commodity base concentration related to forest products as the District's major customers. Several different commodities constitute forest products including wood pulp import, dimensional lumber import, rolled Kraft Liner Board export and wood pellet export.

Specific to the concentration, during the fiscal year ended July 31, 2025, 44.5% of the District's total commodity tonnage handled consisted of wood pulp imports. The wood pulp commodity is primarily used in the paper and packaging manufacturing industry represented by four to five producers (customers) in South America and Europe. Specifically, the commodity is converted by U.S. based manufacturers into tissue and paper towel products for the U.S. consumer. See "THE DISTRICT - Table 1 – Cargo Tonnage Summary" herein. Wood pulp imports accounted for 24.1% of the District's total operating revenues during the fiscal year ended July 31, 2025. Adverse developments affecting the District's major customers, including changes in businesses or general economic conditions or the regulatory environment, could result in the reduction of Gross Revenues and adversely affect the District's ability to satisfy the debt service obligations on the Bonds.

Decreased Demand for Liquid Energy Products

Changing gasoline formulas, decreases in fuel consumption in the U.S., clean air regulations, fuel taxes and multiple other governmental regulatory issues could impact the future volume of petroleum based, liquid energy products moving through the District.

Wetlands

The District's ability to develop, expand, or improve the Port System that comprise or are located in, at, upon, or adjacent to wetlands may be limited. Construction projects affecting wetlands and waterways, such as new dock construction, and channel slip dredging, cannot proceed without a permit issued by the U.S. Army Corps of Engineers ("USACE"). In some cases, issuance of a construction permit is dependent on a mitigation requirement.

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 District expects to review the scope of WOTUS and U.S. Environmental Protection Agency ("EPA") and USACE wetlands jurisdiction as part of its analysis of future improvements to the Port System.

Risk of Weather-Related Catastrophe

The District and its Port System 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 or other major weather events affecting the Port System, related ship channels and interrupting the operations of the District is a risk over which the District has little or no control. To the extent that the Port System is damaged, or the District'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 Gross Revenues available to the District, which could have an adverse impact on the District's ability to satisfy its debt service obligations on the Bonds.

Prolonged Channel Closure

A prolonged closure of the District's ship channel could reduce the amount of Gross Revenues, which could have an adverse impact on the District'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.

Federal Clean Air Act Quality Standards and Environmental Risks

Air quality control measures required by EPA and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in the District and surrounding areas. Under the federal Clean Air Act ("CAA") Amendments of 1990, EPA has established National Ambient Air Quality Standards for six regulated pollutants: ozone, lead, carbon monoxide, SO2, NOx, and particulate matter. When a pollutant concentration in an area exceeds a standard, the area is classified as "non-attainment" for that pollutant, triggering a process by which the State, through TCEQ, must develop and implement a state implementation plan ("SIP") for that area, including enforceable control measures and timeframes, to bring the area into "attainment." The counties of Hardin, Jefferson and Orange, known as the Beaumont-Port Arthur Area (the "BPA Area") was designated by the EPA as a nonattainment area under the 1997 ozone standards (one-hour (l24 parts per billion ("ppb")) and eight-hour (84 ppb) standards) promulgated by the EPA in 1997 (the "1997 Ozone Standards"). In December 2008, TCEQ submitted a redesignation request and maintenance-plan SIP for the BPA area. In late 2010, EPA approved the redesignation request and maintenance-plan SIP revision, including a determination that the BPA area has attained the 1997 Ozone Standards. Under the more rigorous, eight-hour ozone standards promulgated by the EPA in 2008 and 2015, the BPA area remains in attainment. In 2020, EPA approved the second 10-year maintenance SIP for the BPA area with respect to the 1997 Ozone Standards.

The BPA area has not been designated a nonattainment area with respect to the other pollutants regulated by the National Ambient Air Quality Standards.

The District can give no assurances as to the BPA areas continued compliance under the National Ambient Air Quality Standards and the impact of any non-compliance on the District, and the Port System.

Any owner or operator of real estate may be adversely impacted by legislative, regulatory, administrative and enforcement action involving environmental laws and regulations. Furthermore, users of the Port System may transport hazardous materials through the Port System, 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 District. Operation of the Port System is also subject to federal, state and local laws and regulations governing, among other things, emissions to air, 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 District intends to operate the Port System in compliance 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. The operation of facilities of the Port System entails risks and there can be no assurance that the District 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 District 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 Gross Revenues and/or increase Operation and Maintenance Expenses and could have an adverse impact on the District's ability to satisfy its debt service obligations on the Bonds.

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. District 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 District 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 District.

Risk of Terrorist Attacks

The Maritime Transportation Security Act ("MTSA") was signed into law on November 25, 2002 to require sectors of the maritime industry to implement measures designed to protect ports and waterways of the United States from terrorist attacks. MTSA requires interagency teamwork within the Department of Homeland Security, including the U.S. Coast Guard, the Transportation Security Administration ("TSA"), the Bureau of Customs and Border Protection and the U.S. 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 various tank vessels, barges, large passenger vessels, cargo vessels, towing vessels, 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 vessels 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 as well as addressing cybersecurity. The District has procedures in place for compliance with MTSA.

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

Risk of Loss, Damage or Destruction

The District has covenanted in the Resolution that it will cause the Port System at all times to be insured against such risks as are customarily insured against by navigation districts of the State operating similar properties, to the extent such insurance is available at a reasonable cost. The District 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 be used to redeem obligations. There can be no assurance that the proceeds of insurance or other sources of funds available to the District for purposes of replacing, repairing, rebuilding, or restoring all or any portion of the Port System 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 any Additional Parity Obligations so as to allow the District to retire outstanding principal amount of, interest and premium, if any, on the Bonds and any Additional Parity Obligations in the event that the District is unable to replace, repair, rebuild or restore the Port System in the event of loss, damage or destruction of such facilities.

Amendment, Expiration or Termination of Material Contracts

Although the District has no reason to believe that current tenants and users of the Port System will prematurely terminate existing leases or similar agreements entered into with the District or choose not to renew such agreements at their stated expiration, there can be no assurance that such source of revenues to the District currently derived from such agreements will be available in future years and a loss of such revenues could adversely impact the ability of the District to pay its debt service obligations on the Bonds. See Footnote 2 in "FINANCIAL INFORMATION – Table 4 – Condensed Statement of Operations" herein.

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 District has not experienced a negative impact on District operations or Gross Revenues from the USMCA. The Trump administration has recently announced that the USMCA may not be renewed.

Initially, the recent expanded use of existing tariffs as a trade policy created a level of uncertainty. It created in some cases short term increases and/or decreases in cargo activity. The District operates a Foreign Trade Zone which has mitigated some of the effects of tariffs and generated other revenues. While the District handles some cargo that initially was under the expanded use of tariffs, not all are affected today. Potential challenges by new or expanded trade policies, including tariffs, always exist. Additionally, most of the cargo handled by the District's facilities is a commodity with some degree of substitution possible. The military cargo and traffic handled by the District is not affected by tariffs.

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 District or District customers. However, the further imposition of tariffs could negatively impact cross-border trade, the use of the Port System, and the revenues of the District.

Cyber Security

Computer networks and data transmission and collection are vital to the safe and efficient operation of the District. The District 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. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. 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 District's reputation and revenues.

Changes in Law and Applicable Regulations

State and federal legislation is introduced and enacted from time to time that could have a direct negative impact on the Port's financial condition or its operations. The likelihood of any such legislation being introduced or enacted cannot be predicted.

The District is subject to the general requirements of federal and state regulations and permitting. Except as otherwise disclosed in this Official Statement, to the knowledge of the District, no regulatory action has been taken or is threatened, and no regulatory approval is required or pending that would materially affect the Gross Revenues or the ability of the District to complete any planned construction program. Nevertheless, federal or state adoption of unforeseen regulations could result in a reduction in Gross Revenues, an increase of Operation and Maintenance Expenses and/or the loss of the District's ability to operate all or a portion of the Port System. Any such developments could adversely impact the District's ability to satisfy its debt service obligations on the Bonds.

Competition from Other Ports

The District 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 the costs, service reliability, available distribution and transload facilities, transit time, marine and intermodal facilities and the ability to accommodate larger ships affect carrier decisions (and sometimes shipper directions) about which port(s) to use. Carriers also may form alliances that affect their decisions on port locations. These factors may be affected by developments outside the District's control. For example, future developments could impact the District's market share. 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 District's market share. The revenues of the District 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 District cannot predict the scope of any such impact at this time.

Labor

An inability to develop or attract labor required for planned development could adversely affect the revenues of the District.

TAX MATTERS

OPINION OF BOND COUNSEL . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the District, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the Project or, a "related person" to such user. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX D -- FORM OF OPINION OF BOND COUNSEL."

Interest on the Bonds is an item of tax preference, as defined in section 57(a)(5) of the Code, for purposes of determining the alternative minimum tax imposed on individuals and corporations.

GENERAL . . . In rendering its opinions, Bond Counsel (a) will rely upon information furnished by the District, and particularly written representations of officers and agents of the District with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, and the construction, use and management of the Project and (b) will assume continuing compliance with covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the District is conditioned on compliance by the District with such requirements, and Bond Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion regarding the Bonds represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion related to the Bonds is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service ("IRS") by the District with respect to the Bonds or the Project. No assurances can be given as to whether or not the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The Underwriters have represented that the initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any Holder who has purchased a Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such holder in excess of the basis of such Original Issue Discount Bond in the hands of such Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

CERTAIN COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Bonds under Federal or state law and could affect the market price or marketability of the Tax-Exempt Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the registered owners and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District 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”).

Such information will be provided in an electric format, as prescribed by the MSRB, and will be made available free of charge via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the Tables numbered 1 through 5 and in APPENDIX C. The District will update and provide this information within 6 months after the end of each fiscal year beginning with fiscal year ending in 2027. The District will provide the updated information to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB intends to make the information available to the public without charge through an internet portal as part of an expansion of its Electronic Municipal Market Access (“EMMA”) system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available within 12 months after any such fiscal year end, the District will file unaudited financial statements within such 12-month time period and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the “SEC”).

The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by the last day of January in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice 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 Beneficial Owners 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 District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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 District, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provision for credit enhancement or a trustee.

For these purposes, any event described in clause (12) of 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 District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District 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 District.

For the purposes of the events described in clauses (15) and (16) of the immediately preceding paragraph, the term "Financial Obligation" is defined in the Resolution. The Resolution further provides that the District intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the District will provide timely notice of any failure by the District to provide information, data or financial statements in accordance with its agreement described above under "– Annual Reports" and "Notice of Certain Events."

AVAILABILITY OF INFORMATION . . . The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Should the Rule be amended to obligate the District to make filing with or provide notices to entities other than the MSRB, the District agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of certain events only as described above. The District 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 is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell obligations at any future date. The District 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 District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time 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 District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the District so amends the agreement, it has agreed to 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 financial information and operating data so provided.

Compliance with Prior Undertakings . . . During the last five years, except as described below, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The District's July 31, 2021 Annual Comprehensive Financial Report, was filed on December 29, 2022, which was after the required filing date of January 31, 2022. An event notice of non-compliance of failure to timely provide annual financial information was filed on August 3, 2026.

OTHER INFORMATION

Ratings . . . S&P Global Ratings ("S&P") assigned its municipal bond rating of "AA-" to this issue of Bonds. An explanation of the rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, 20 circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Litigation . . . The District is not aware of any litigation of any nature that has been filed or is pending at this time that would enjoin the issuance of the Bonds or would affect the provisions made for payment or security of the Bonds, or would have a material adverse impact on the financial condition of the District.

The District is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance coverage for these risks and provided various employee education and prevention programs. Various claims and lawsuits are pending against the District. In the opinion of District management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the District's financial position.

Registration and Qualification of Bonds for Sale . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District 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.

Legal Investments and Eligibility to Secure Public Funds in Texas . . . Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees, and for municipalities and other political subdivisions or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments of such entity's funds. The "Public Funds Collateral Act," Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter, must be secured by eligible security. "Eligible Security" is defined to include local government obligations (such as the Bonds) with a rating from a nationally recognized investment firm of "A" or its equivalent. See "OTHER INFORMATION – Municipal Rating" herein.

The District makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to any such entities or institutions for investment purposes. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from, together with the Parity Obligations, from and secured by a lien on and pledge of the Gross Revenues of the Port System as provided in the Resolution. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING – Purpose," "THE BONDS" (except for the information under the captions and subcaption "Book-Entry-Only system" as to which no opinion will be expressed), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "DEFEASANCE," "AMENDMENT TO RESOLUTION," "DEFAULTS AND REMEDIES," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Agreements" as to which no opinion will be expressed), "OTHER INFORMATION – Legal Opinions" (except for the information in the last sentence of the first paragraph thereof as to which no opinion will be expressed), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," "APPENDIX B – Definitions and Selected Provisions of the Resolution" and "APPENDIX D – Form of Bond Counsel's Opinion" and such firm is of the opinion that such information contained under such captions and in such appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds. Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, FBT Gibbons LLP, Houston, Texas.

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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees, and for municipalities and other political subdivisions or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such Act that the Bonds have a rating of not less than “A” or its equivalent to be legal investments of such entity’s funds. The “Public Funds Collateral Act,” Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter, must be secured by eligible security. “Eligible Security” is defined to include local government obligations (such as the Bonds) with a rating from a nationally recognized investment firm of “A” or its equivalent. See “OTHER INFORMATION – Municipal Rating” herein.

The District makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to any such entities or institutions for investment purposes. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION . . . The financial data and other information contained herein have been obtained from the District’s records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR . . . Hilltop Securities Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at an underwriting discount of $188,228.12. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices 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.

RBC Capital Markets, LLC ("RBCCM"), has provided the following information for inclusion in this Official Statement: RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

RBCCM, an underwriter of the Bonds, has entered into a distribution arrangement with its affiliate RBC Securities, Inc. ("RBC Securities") (formerly known as City National Securities, Inc.). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein 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 District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

s/ Randy T. Martin
President
Board of Port Commissioners

ATTEST:

/s/ Mary Wycoff
Secretary
Board of Port Commissioners

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

ECONOMIC BACKGROUND

The District was created on June 13, 1964 and is a highly industrialized area of approximately 59 square miles including the City of Groves and the City of Port Arthur, an industrial city located 21 miles southeast of the City of Beaumont. The District owns and operates various docks, wharves, warehouses, transit sheds, concrete aprons, loading and unloading facilities and equipment, and rail and roadway facilities as part of the public port facilities of the Port of Port Arthur. The District's economy is based on petroleum refining and manufacturing. The 2020 census population of the District was 54,271, a 0.84% increase since 2010.

COUNTY CHARACTERISTICS

Jefferson County is a Gulf Coast county created in 1836 from a Mexican municipality and named after Thomas Jefferson. The County is traversed by I-10, U.S. Highways 90 and 69-287, State Highways 73, 87, 105, and 124, and three farm-to-market roads. The Neches River makes up the northern border, while the Sabine Lake and the Gulf of Mexico define the south. The County was the fifth largest producing county of rice in Texas in 2021.

POPULATION

	2000 Official Census	2010 Official Census	2020 Official Census
City of Port Arthur	57,755	53,818	56,039
Jefferson County	252,051	252,273	256,526
Beaumont-Port Arthur MSA	385,090	388,745	397,565

MAJOR EMPLOYERS

The following are major employers located within the Beaumont – Port Arthur MSA:

1,000+ Employees	500-999 Employees
Baptist Hospitals-Southeast TX	Motiva Enterprises
CHRISTUS Southeast Tx-St	Total Port Arthur Refinery
Jefferson County Courthouse	Valero Port Arthur Refinery
	Walmart Supercenter
	American Valve & Hydrant Mfg
	BASF
	BASF Total Petrochemicals LLC
	Chevron Lubricant Plant
	US Criminal Justice Dept
	Helena Lab
	Jefferson County Jail

Source: Southeast Texas Economic Development Foundation.

LABOR FORCE STATISTICS(1)

	2026(2)	2025(3)	2024(3)	2023(3)	2022(3)
Civilian Labor Force	185,364	184,737	182,297	175,655	171,423
Total Employed	173,915	174,979	172,425	165,946	161,752
Total Unemployed	11,449	9,758	9,872	9,709	9,671
Unemployment Rate	6.2%	5.3%	5.4%	5.5%	5.6%
% Unemployed (Texas)	4.9%	4.2%	4.1%	4.0%	3.9%
% Unemployed (U.S.)	4.4%	4.3%	4.0%	3.6%	3.6%

(1) Source: Texas Workforce Commission, Labor Market Information.
(2) As of July 2026.
(3) Average annual statistics.

APPENDIX B

DEFINITIONS AND SELECTED PROVISIONS OF THE RESOLUTION

APPENDIX B

DEFINITIONS AND SELECTED PROVISIONS OF THE RESOLUTION

Definitions

The following terms and expressions shall have the meanings set forth below, unless otherwise defined or the text hereof specifically indicates otherwise:

"***Accountant***" means an independent certified public accountant or accountants or a firm of an independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"***Additional Parity Obligations***" means bonds, notes, warrants, certificates of obligation or other debt which the District reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Sections 23, 24 and 25 of the Resolution and which obligations are equally and ratably secured solely by a first lien on and pledge of the Gross Revenues, as provided in the Resolution, on a parity with the Series 2026 Bonds.

"***Amortization Installment***" means, with respect to any Term Bonds of any series of Parity Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"***Annual Debt Service Requirements***" means, as of the date of calculation, the principal of, premium, if any, and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the District on such Parity Obligations, or be payable in respect of any required purchase of such Parity Obligations by the District) in a Fiscal Year minus all amounts on deposit to the credit of the Revenue Bond Debt Service Fund from original proceeds from the sale of Parity Obligations or from any other lawfully available source (other than moneys that would constitute Gross Revenues in the subject period) and, for such purposes, any one or more of the following rules shall apply at the election of the District provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year or other period with respect to Outstanding Parity Obligations:

(1) Balloon Debt. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, "Principal"), of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the District) in any Fiscal Year either is equal to at least 25% of the total Principal of such Funded Debt or exceeds by more than 50% the greatest amount of Principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Funded Debt being

referred to herein as "Balloon Debt"), the amount of Principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the Principal of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (1) above), if the Chief Financial Officer of the District shall deliver to the District a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the District has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of, premium, if any, and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, if any, or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Parity Obligations; and

(4) Variable Rate. As to any Parity Obligations that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement, at the election of the District, the interest rate for such Parity Obligations shall be determined to be either (i) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding twenty-four (24) months) for any twenty-four (24) month period ending within thirty (30) days prior to the date of calculation, (ii) if the Parity Obligations bears interest at tax-exempt rates, an interest rate equal to twenty-four (24) month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the District determines most closely replicates such index as set forth in a certificate of the Chief Financial Officer of the District, and (iii) that interest rate which, in the judgment of the Chief Financial Officer of the District, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Parity Obligations, is the average rate anticipated to be in effect with respect to such Parity Obligations.

"***Average Annual Debt Service Requirements***" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) of Outstanding Parity Obligations and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Parity Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Outstanding Parity Obligations, and interest earnings thereon shall be excluded in making such computation.

"***Board***" means the Board of Port Commissioners of the District.

"***Bond Counsel***" means McCall, Parkhurst & Horton L.L.P. or such other attorney or firm of attorneys of recognized standing and ability, specializing in the law pertaining to municipal bonds, selected by the District.

"***Bond Insurer***" means the issuer of the financial guaranty insurance policy relating to the Series 2026 Bonds as provided in the Pricing Certificate, or any other entity that insures or guarantees the payment of principal and interest on any other Parity Obligations.

"***Book-Entry-Only System***" means the book-entry system of bond registration provided in Section 6, or any successor system of book-entry registration.

"***Cede & Co.***" means the designated nominee and its successors and assigns of The Depository Trust Company, New York.

"***Chief Financial Officer of the District***" means the senior financial officer of the District currently known as the Director of Finance of the District.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Consulting Engineer***" means an engineer or engineering firm or corporation, licensed in the State, engaged or employed by the District to perform and carry out the duties imposed on the Consulting Engineers by Section 24 of the Resolution

"***Current Interest Bonds***" means the Series 2026 Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Pricing Certificate.

"***Defeasance Securities***" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2026 Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Series 2026 Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Series 2026 Bonds. The foregoing notwithstanding and pursuant to the Resolution, the Pricing Officer may elect in the Pricing Certificate to modify the definition of "Defeasance Securities" by eliminating any securities or obligations set forth in the preceding sentence upon determining that it is in the best interests of the District to do so.

"Depository" means one or more official depository banks of the District.

"***District***" and "***Issuer***" mean The Port of Port Arthur Navigation District of Jefferson County, Texas and, where appropriate, the Board.

"***DTC***" means, subject to Section 6(e), The Depository Trust Company, New York, New York and its successors and assigns.

"***DTC Participant***" means securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"***EMMA***" means the Electronic Municipal Market Access system being established by the MSRB.

"***Excluded Fee and Charge Revenues***" means all income and revenues derived from fees and charges imposed by the District after the date hereof and declared in the official action of the Board approving such fees and charges to constitute fees and charges of the kind that will generate Excluded Fee and Charge Revenues. Such Excluded Fee and Charge Revenues may be authorized pursuant to any federal, state or local authority and may include, but not be limited to, any charge or fee relating to providing, enhancing or maintaining security for the District.

"***Federal Payments***" means those funds received by the District from the federal government or any agency thereof as payments for the use of any facilities or services of the District.

"***Federal Securities***" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

"Financial Obligation" means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"***Fiscal Year***" means the twelve-month accounting period used by the District in connection with the operation of the Port System, currently ending on July 31 of each year, which may be any twelve consecutive month period established by the District, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"***Fitch***" means Fitch Ratings, Inc., its successors and assigns and, if such corporation shall, for any reason, no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized rating agency designated by the Board.

"***Funded Debt***" means all Parity Obligations created or assumed by the District that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the District to a date, more than one year after the original creation or assumption of such debt by the District.

"***Gross Revenues***" mean, for any defined period, all revenues, income and receipts of every nature which may be received or derived by the District from its ownership and/or operation of the Port System or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or improvements to the Port System, purchased, constructed or otherwise acquired from time to time, including business interruption insurance, but shall not mean, and shall specifically exclude (1) the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged with respect to any Special Project; (2) any monies received as grants, appropriations, or gifts, to the extent that the person making such the grant, appropriation or gift prohibits the use of such monies for the payment of the principal of and/or interest on (or other amounts owed on) Parity Obligations; (3) insurance proceeds other than loss of use or business interruption insurance proceeds; (4) deposits, option fees and other funds collected by the District to which a third party holds a contractually based reversionary interest or other legal or equitable ownership interest; (5) Excluded Fee and Charge Revenues; (6) the proceeds of any user charge as may hereafter be collected by the District on behalf of and that is payable to the State, the United States, and any other governmental entities; (7) sales and other taxes collected by the District on behalf of and that are payable to the State and any other taxing entities; (8) Federal Payments, unless the District 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 Parity Obligations that provide for interest that is otherwise excludable from the gross income of the owners thereof for federal income tax purposes; (9) subject to Section 21(g) of the Resolution, the proceeds received by the District from the sale of any Port System or property owned by the District; (10) income and investment earnings in the Project Fund or any rebate fund established with respect to any issue or series of Parity Obligations; and (11) any revenues derived from ad valorem taxes levied and collected by (or collected for) the District.

"***Maturity***" means, when used with respect to any Parity Obligation, the date on which the principal of such debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by call for redemption, or otherwise.

"***Maximum Annual Debt Service Requirement***" means the maximum amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) of Outstanding Parity Obligations in any Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Outstanding Parity Obligations, and interest earnings thereon shall be excluded in making such computation.

"***Moody's***" means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall, for any reason, no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Board.

"***MSRB***" means the Municipal Securities Rulemaking Board.

"***Net Revenues***" mean, for a Fiscal Year or applicable twelve consecutive calendar month period, as the case may be, all Gross Revenues remaining after deducting the Operation and Maintenance Expenses, subject to Sections 9 and 24, as applicable.

"***Operation and Maintenance Expenses***" means the reasonable and necessary expenses of operation and maintenance of the Port System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, and all payments under contracts now or hereafter defined as operating expenses by the State Legislature, but excluding:

(a) any allowance for depreciation;

(b) costs of capital improvements;

(c) allowances or costs for major capital improvements, operations, maintenance or repair;

(d) any allowance for redemption of, or payment of principal, interest or premium on, any obligations of the District;

(e) any liabilities incurred in acquiring or improving Port System;

(f) expenses and operation and maintenance expenses pertaining to Special Projects;

(g) any charges or obligations incurred in connection with any lawful District purpose, including (1) a function or project that produces or results in or is paid from Excluded Fee and Charge Revenue or (2) the lease, acquisition, operation or maintenance of any facility or property benefiting the Port System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of a special fund or other construction fund established by the District;

(h) 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; and

(i) 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.

"***Outstanding***" means, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under the Resolution and any resolution authorizing Additional Parity Obligations, except:

(1) Parity Obligations theretofore canceled and delivered to the District or delivered to the Paying Agent/Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 30 of the Resolution or any comparable section of any resolution authorizing Additional Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution and any resolution authorizing Additional Parity Obligations; and

(4) Parity Obligations under which the obligations of the District have been released, discharged or extinguished in accordance with the terms thereof.

"***Outstanding Principal Amount***" means, as of any record date established by a registrar in connection with a proposed amendment of the Resolution or resolutions authorizing other Parity Obligations, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity.

"***Paying Agent/Registrar***" shall have the meaning set forth in Section 6(a) and (d) hereof and in the Pricing Certificate.

"***Parity Obligations***" means the Series 2026 Bonds and any Additional Parity Obligations hereafter issued by the District.

"***Permitted Investments***" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended.

"***Port Director of the District***" means the senior executive officer of the District, currently known as the Executive Port Director of the District.

"***Port System***" means the District's dock and wharf and related facilities constituting the Port of Port Arthur and includes all properties, facilities, plants, improvements, equipment, interests and rights currently owned, operated and maintained by the District in connection with the ownership, operation, or maintenance of the District, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the District. The Port System shall not include any Special Project.

"***Pricing Certificate***" means the pricing certificate of the District's Pricing Officer to be executed and delivered pursuant to Section 3 hereof in connection with the issuance of the Bonds.

"***Pricing Officer***" means the Port Director of the District, acting as the designated pricing officer of the District to execute the Pricing Certificate. In the absence of the Port Director of the District, the Deputy Port Director of the District may act as the designated pricing officer of the District to execute the Pricing Certificate.

"***Project***" means acquiring, purchasing, constructing, improving and developing facilities incidental to and useful in the operation and development of (i) the District's docks, wharves, other port facilities and its waterways and (ii) navigation-related commerce in the District and on its waterways, including docks and related infrastructure, laydown and queuing areas, Port administration buildings, transit sheds and roadways, financed by the proceeds of the Series 2026 Bonds.

"***Rating Agency***" means any of Fitch, Moody's or S&P.

"***Record Date***" means the Record Date as provided for in the Pricing Certificate and in the Resolution.

"***Registered Owner***" or *"**Registered Owners***" means the registered owner or owners, whose name or names appears in the Registration Books, for any Series 2026 Bond or other Parity Obligation, as the case may be.

"***Regulations***" means any regulations or rulings promulgated by the U.S. Department of Treasury pursuant to the Code.

"***Required Reserve Amount***" means the amount required to be maintained in the Series 2026 Revenue Bond Reserve Fund pursuant to the Pricing Certificate and provisions of Section 14 of the Resolution; notwithstanding the provisions of Section 14, the Required Reserve Amount shall not exceed the amount set forth in Section 1.148-2(f)(2)(ii) of the U.S. Treasury Regulations relating to the size of a reasonably required reserve and replacement fund.

"***Required Reserve Fund Deposits***" means the deposits and credits, if any, required to be made to the Series 2026 Revenue Bond Reserve Fund pursuant to the provisions of Section 13 of the Resolution.

"***Reserve Fund Obligation***" means, to the extent permitted by law, as evidenced by an opinion of nationally recognized Bond Counsel, a surety bond or insurance policy (which, under applicable law, shall not entitle the provider thereof to any right of reimbursement or repayment other than a right to subrogation upon payments being made to Registered Owners) deposited in the Series 2026 Revenue Bond Reserve Fund to satisfy the Required Reserve Account whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

"Reserve Fund Obligation Payment" means any subrogation payment the District is obligated to make from Gross Revenues deposited in the Series 2026 Revenue Bond Reserve Fund with respect to a Reserve Fund Obligation.

"***Resolution***" means the resolution adopted by the Board on May 13, 2026 authorizing the Series 2026 Bonds.

"***Revenue Bond Debt Service Fund***" means the special fund created, established and maintained by the provisions of Sections 10, 12 and 13 of the Resolution.

"***Rule***" means SEC Rule 15c2-12, as amended from time to time.

"***S&P***" means S&P Global Ratings, a division of S&P Global Inc., its successors and their assigns and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board.

"***SEC***" means the United States Securities and Exchange Commission.

"***Series 2026 Bonds***" means the "The Port of Port Arthur Navigation District of Jefferson County, Texas Port Revenue Bonds, Series 2026 (AMT)" issued pursuant to the Resolution.

"***Series 2026 Revenue Bond Reserve Fund***" means the special fund created, established and maintained by the provisions of Sections 3, 10, 12 and 14 of the Resolution and the Pricing Certificate.

"***Special Project***" means, to the extent permitted by State law, any improvement or facility declared by the Board not to be part of the Port System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of obligations payable from Gross Revenues and for which all maintenance and operation expenses are payable from sources other than Gross Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"***State***" means the State of Texas.

"***Stated Maturity***" means the annual principal payments of the Parity Obligations payable on the respective dates set forth in the resolutions which authorized the issuance of such Parity Obligations.

"***Term Bonds***" means those Parity Obligations so designated in the resolutions authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

"***Term of Issue***" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

* * * * *

Selected Provisions of the Resolution

SECTION 8. PLEDGE OF GROSS REVENUES. The District hereby covenants and agrees that the Gross Revenues, as provided in this Resolution, are hereby irrevocably pledged to the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and, subject to the provisions of this Resolution, it is hereby resolved that the Parity Obligations, and the interest thereon, shall constitute a lien on and pledge of the Gross Revenues, as provided in this Resolution, and be valid and binding without any physical delivery thereof or further act by the District. No proceeds of the ad valorem tax levied by the District for the maintenance and operation of the Port System shall ever be used for the payment of any of the Parity Obligations.

Pursuant to Section 1201.044, Texas Government Code, as amended, and Chapter 1208, Texas Government Code, as amended, the pledge, security and lien on the Gross Revenues, as provided in this Resolution, for the benefit of the Registered Owners of the Series 2026 Bonds is hereby established and perfected for all purposes. The Registered Owners of the Series 2026 Bonds shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than as specified in this Resolution.

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Series 2026 Bonds and the pledge of revenues granted by the District under this Resolution, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Series 2026 Bonds are Outstanding and unpaid such that the pledge of revenues granted by the District under this Resolution is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, then in order to preserve to the Registered Owners of the Series 2026 Bonds the perfection of the security interest in said pledge, the District agrees 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 and Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 9. RATES AND CHARGES. For the benefit of the Registered Owners of the Parity Obligations and in addition to all provisions and covenants in the laws of the State and in this Resolution, the District hereby expressly stipulates and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain tariffs, rentals, tolls, fees, rates and charges for facilities and services afforded by the Port System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

A. to produce amounts at least equal to the Annual Debt Service Requirements for all Outstanding Parity Obligations;

B. to produce amounts sufficient to enable the District to make the deposits and credits, if any, to (i) the Series 2026 Revenue Bond Reserve Fund to restore the Required Reserve Amount in accordance with Section 14 of this Resolution, including the payment of any Reserve Fund Obligation Payment then due, and (ii) other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations; and

C. to produce Net Revenues at least equal to 125% of the Annual Debt Service Requirements for all Outstanding Parity Obligations in such Fiscal Year. In calculating Net Revenues for such purpose, the ad valorem tax levied by the District in such Fiscal Year for Operation and Maintenance Expenses shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in such calculation.

Should the annual audit report required by Section 22 hereof reflect that the Gross Revenues for the Fiscal Year covered thereby were less than necessary to meet the requirements of this section, the Board will review the operations of the Port System and the tariffs, rentals, tolls, fees, rates and charges for services provided, and the Board will make the necessary adjustments or revisions, if any, in order that the Gross Revenues for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

SECTION 10. SPECIAL FUNDS. The establishment of the revenue operating fund of the District hereinafter called The Port of Port Arthur Navigation District of Jefferson County, Texas Revenue Fund (the "Revenue Fund") is hereby confirmed and the below listed special funds are hereby created and shall be established and maintained on the books of the District, so long as any Parity Obligations are Outstanding and unpaid:

(a) The Port of Port Arthur Navigation District of Jefferson County, Texas Revenue Bond Debt Service Fund, hereinafter called the "Revenue Bond Debt Service Fund."

(b) Subject to Sections 2, 3 and 14 and the Pricing Certificate, The Port of Port Arthur Navigation District of Jefferson County, Texas Series 2026 Revenue Bond Reserve Fund, hereinafter called the "Series 2026 Revenue Bond Reserve Fund."

Though each of such funds shall be subaccounts of the District's Revenue Fund held by the District's Depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such funds or of such funds and the District shall keep full and complete records indicating the monies and investments credited to each of such funds.

SECTION 11. REVENUE FUND. The District hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received (except earnings and income derived from investments in (i) the Revenue Bond Debt Service Fund and (ii) the Series 2026 Bond Reserve Fund and any other reserve fund established for an issuance of Additional Parity Obligations that do not contain the required reserve amount therein).

SECTION 12. FLOW OF FUNDS. All Gross Revenues deposited and credited to the Revenue Fund shall be pledged and appropriated, as required by this Resolution, including this section and Sections 13 and 14, to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of the amounts required to be deposited and credited to the Revenue Bond Debt Service Fund created and established for the payment of the Series 2026 Bonds and any Additional Parity Obligations issued by the District as the same become due and payable.

SECOND: pro rata to the payment of the amounts required to be deposited and credited (i) to the Series 2026 Revenue Bond Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of this Resolution and the Pricing Certificate, including amounts owed with respect to any Reserve Fund Obligation to restore the Required Reserve Amount and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the resolutions relating to the issuance of any Additional Parity Obligations hereafter issued by the District.

THIRD: to the payment of, together with such amount of the ad valorem tax levied by the District for Operation and Maintenance Expenses to be applied for such period pursuant to Section 21(j), all necessary and reasonable Operation and Maintenance Expenses. For purposes of foregoing clause, Operation and Maintenance Expenses shall only include those current Operation and Maintenance Expenses due or payable within the next 30 days. The District shall also establish a three-month reserve amount based upon the budgeted amount of Operation and Maintenance Expenses for the current Fiscal Year, giving effect to the application of the ad valorem tax levied by the District for Operation and Maintenance Expenses as provided in Section 9C, which amount shall be retained in the Revenue Fund.

FOURTH: to the payment of all other obligations of the Port System.

Whenever the total amount on deposit to the credit of the Revenue Bond Debt Service Fund is at least equal to the Annual Debt Service Requirements for all Outstanding Parity Obligations due in a Fiscal Year, no further deposits into the Revenue Bond Debt Service Fund need be made in such Fiscal Year. Whenever the total amounts on deposit to the credit of (i) the Series 2026 Revenue Bond Reserve Fund at least equal to the Required Reserve Amount and (ii) any other reserve fund established for any issue or series of Additional Parity Obligations are equal to their respective required reserve amounts, no further deposits into such reserve funds.

SECTION 13. REVENUE BOND DEBT SERVICE FUND. (a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the District agrees that it shall maintain the Revenue Bond Debt Service Fund. The District covenants to deposit and credit to the Revenue Bond Debt Service Fund the following amounts each month:

(i) Such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month as will be sufficient, together with other amounts, if any, then on hand in the Revenue Bond Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Obligations on the next succeeding interest payment date; and

(ii) Such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month as will be sufficient, together with other amounts, if any, then on hand in the Revenue Bond Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity Obligations (whether by maturity or earlier mandatory sinking fund redemption) on the next succeeding principal payment date.

(b) In addition to the monthly deposits required under Section 13(a), the District covenants to deposit and credit to the Revenue Bond Debt Service Fund prior to each principal, interest payment or redemption date from the available Gross Revenues the additional amount required, if any, to fully pay the interest on and the principal of the Parity Obligations then falling due and payable.

(c) The required deposits and credits to the Revenue Bond Debt Service Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to Revenue Bond Debt Service Fund and any reserve fund (excluding any Reserve Fund Obligation) available for a particular series of the Parity Obligations pursuant to the terms of such reserve fund equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest then coming due) or (ii) the Parity Obligations are no longer Outstanding.

(d) Accrued interest and capitalized interest, if any, received from the purchaser of any Parity Obligation shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Revenue Bond Debt Service Fund.

SECTION 14. SERIES 2026 REVENUE BOND RESERVE FUND. (a) As provided in Sections 2 and 3, the Pricing Officer shall determine whether to create and fund the Series 2026 Revenue Bond Reserve Fund and the terms and provisions of such fund. If such fund is so created, the following provisions shall apply unless otherwise provided in the Pricing Certificate.

(b) To accumulate and maintain a reserve for the payment of the Series 2026 Bonds equal to the Required Reserve Amount set forth in the Pricing Certificate, the separate and special Series 2026 Revenue Bond Reserve Fund shall be created as set forth in the Pricing Certificates relating to the Series 2026 Bonds. If applicable, the Series 2026 Revenue Bond Reserve Fund may be (i) initially cash or Reserve Fund Obligations and (ii) funded with a portion of the proceeds of the Series 2026 or otherwise as determined in the Pricing Certificate, including from lawfully available funds of the District that are hereby appropriated for such purpose. Earnings and income derived from the investment of amounts held for the credit of the Series 2026 Revenue Bond Reserve Fund shall be retained in the Series 2026 Revenue Bond Reserve Fund until the Series 2026 Revenue Bond Reserve Fund contains the Required Reserve Amount;

thereafter, such earnings and income shall, at the option of the District, be (i) deposited into the Revenue Bond Debt Service Fund to be used to pay debt service on the Series 2026 Bonds when due, (ii) to the extent the Series 2026 Revenue Bond Reserve Fund was funded with funds other than proceeds of the Series 2026 Bonds, deposited in the Revenue Fund of the District for use as provided in this Resolution or (iii) otherwise used by the District in any other manner permitted by State law. As provided in Section 12 and subsection (c) below, the District shall deposit and credit to the Series 2026 Revenue Bond Reserve Fund amounts required to maintain the balance in the Series 2026 Revenue Bond Reserve Fund in an amount equal to the Required Reserve Amount. The Required Reserve Amount shall be calculated and determined as of (I) the date of delivery of the Series 2026 Bonds, (II) the last day of each Fiscal Year or (III) the date of delivery of any indebtedness of the District issued to refund all or a portion of the Series 2026 Bonds; provided that for any such calculation that involves a partial Fiscal Year, such calculation shall be made using the number of actual days remaining in such Fiscal Year. There shall be deposited into the Series 2026 Revenue Bond Reserve Fund any Reserve Fund Obligations so designated by the District. All funds, investments and any Reserve Fund Obligations on deposit and credited to the Series 2026 Revenue Bond Reserve Fund shall be used solely (i) to pay the principal of and interest on the Series 2026 Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments related to the Series 2026 Revenue Bond Reserve Fund and (iii) to retire the last Stated Maturity or Stated Maturities of, premium, if any, or interest on the Series 2026 Bonds.

(c) When and for so long as the aggregate amount of cash, investments and any Reserve Fund Obligations in the Series 2026 Revenue Bond Reserve Fund equals the Required Reserve Amount, no deposits need be made to the credit of the Series 2026 Revenue Bond Reserve Fund; but, if and when the aggregate amount of the cash, the amortized cost of investments and any Reserve Fund Obligations in the Series 2026 Revenue Bond Reserve Fund at any time is less than the Required Reserve Amount, the District covenants and agrees that the District shall cure the deficiency in the Series 2026 Revenue Bond Reserve Fund, but only from Gross Revenues remaining after any required payments of debt service and scheduled payments on all then Outstanding Parity Obligations have been made pursuant to Section 13 of this Resolution, by instituting deposits into such fund from such Gross Revenues in accordance with such Section 12 and this subsection by monthly deposits and credits in amounts equal to not less than 1/36th of the Required Reserve Amount with any such deficiency payments being made until the Required Reserve Amount has been fully restored; provided, however, that no such deposits shall be made into the Series 2026 Revenue Bond Reserve Fund during any period until there has been full payment of all scheduled payments on Outstanding Parity Obligations, through and including the next following interest payment date or principal payment date, as the case may be. In addition, in the event that a portion of the Required Reserve Amount of the Series 2026 Revenue Bond Reserve Fund is represented by a Reserve Fund Obligation, the portion of the Required Reserve Amount represented by such Reserve Fund Obligation shall be restored as soon as possible from monthly deposits of Gross Revenues in accordance with Section 12 of this Resolution, but subject to making the full payment of all scheduled payments on all then Outstanding Parity Obligations, through and including the next following interest payment date or principal payment date, as the case may be. The District further covenants and agrees that, subject only to this section and Section 12 of this Resolution, the Gross Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount of the Series 2026 Revenue Bond Reserve Fund, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Parity Obligations and to cure any deficiency in such amounts as required by the terms of this Resolution and any other resolution pertaining to the issuance of Additional Parity Obligations, all on an equal and pro rata basis unless any such reserve related to an issue or series of Additional Parity Obligations is expressly junior and subordinate to the Series 2026 Revenue Bond Reserve Fund established in this Resolution.

During such time as the Series 2026 Revenue Bond Reserve Fund contains the Required Reserve Amount or any cash is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the District may, at its option, withdraw all surplus funds in the Series 2026 Revenue Bond Reserve Fund and (i) deposit such surplus in the Revenue Bond Debt Service Fund to be used to pay debt service on the Series 2026 Bonds when due, (ii) to the extent the Series 2026 Revenue Bond Reserve Fund was funded with funds other than proceeds of the Series 2026 Bonds, deposit such surplus (or allocable portion thereof) in the Revenue Fund of the District for use as provided in this Resolution or (iii) otherwise use such surplus for any other manner permitted by State law.

(d) A Reserve Fund Obligation issued in an amount equal to all or part of the Required Reserve Amount for the Series 2026 Bonds may be used in lieu of depositing cash into the Series 2026 Revenue Bond Reserve Fund. In addition, a Reserve Fund Obligation may be substituted for monies and investments or existing Reserve Fund Obligations in the Series 2026 Revenue Bond Reserve Fund if the substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Series 2026 Bonds by any Rating Agency to be lowered, the Reserve Fund Obligation is approved by the Attorney General of the State, if then required by State law, and the resolution authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective.

(e) A Reserve Fund Obligation permitted under subsections (b) and (d) above, must meet the requirements described below:

(1) Any Reserve Fund Obligation Payment shall be made from the deposits made to the Series 2026 Revenue Bond Reserve Fund as provided in this section and Section 12. The Reserve Fund Obligation shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Obligation to a Reserve Fund Obligation Payment will be subordinated to the cash replenishment of the Series 2026 Revenue Bond Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Obligation and the amount then available for further draws or claims. In the event (i) the issuer of a Reserve Fund Obligation becomes insolvent, (ii) the issuer of a Reserve Fund Obligation defaults in its payment obligations thereunder or (iii) no Rating Agency rates the issuer of the Reserve Fund Obligation associated with such obligation equal to or above the fourth highest generic rating category (i.e., "BBB" or "Baa") by a Rating Agency, the obligation to make any Reserve Fund Obligation Payment to the issuer of the Reserve Fund Obligation shall

be subordinated to the cash replenishment of the Series 2026 Revenue Bond Reserve Fund.

(2) In the event that (i) the revolving reinstatement feature described in the preceding paragraph is suspended (and continuing) or terminated, (ii) the issuer of the Reserve Fund Obligation defaults in its payment obligations thereunder, or (iii) the issuer of the Reserve Fund Obligation becomes insolvent, the District shall within six months of such occurrence either, only to the extent Gross Revenues are available pursuant to Section 12 and this section, including this subsection, (A) institute equal monthly deposits into the Series 2026 Revenue Bond Reserve Fund an amount sufficient to cause the cash and investments on deposit in the Series 2026 Revenue Bond Reserve Fund to accumulate to the Required Reserve Amount within 36 months from such initial monthly deposit, or (B) replace such instrument with a Reserve Fund Obligation meeting the requirements of this section. Upon replacement, the District may terminate the existing Reserve Fund Obligation in accordance with its terms.

(3) The Paying Agent/Registrar shall ascertain the necessity for a claim or draw upon any Reserve Fund Obligation and provide notice to the issuer of the Reserve Fund Obligation in accordance with its terms not later than three days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Fund Obligation, ensure payment under the Reserve Fund Obligation on or before the applicable interest payment date or principal payment date) prior to each date upon which the principal of or interest on the Series 2026 Bonds will be due.

After first utilizing any cash and investments in the Series 2026 Bond Reserve Fund, draws upon one or more Reserve Fund Obligations within the Series 2026 Bond Reserve Fund shall be made on a pro-rata basis and deposits to the Series 2026 Bond Reserve Fund to restore such fund to the Required Reserve Amount shall be applied first to pay, on a pro-rata basis, Reserve Fund Obligation Payments to reimburse the issuers of such Reserve Account Obligations, thus restoring that portion of the Required Reserve Amount, and then to restore the cash portion of the Required Reserve Amount, all pursuant to this Resolution and the terms of the respective Reserve Fund Obligations.

(f) If a Reserve Fund Obligation is designated in the Pricing Certificate, the President or the Vice President of the Board or the Port Director of the District are each hereby authorized to sign a commitment letter with the provider thereof and to pay the premium or cost for the Reserve Fund Obligation at the time of the delivery of the Series 2026 Bonds to the initial purchaser(s) out of the proceeds of sale of the Series 2026 Bonds or from other available funds and to execute such other documents and certificates as necessary in connection with the Reserve Fund Obligation as they may deem appropriate, including the execution of any commitment agreements, membership agreements in mutual insurance companies and other similar agreements.

SECTION 15. LIMITED OBLIGATIONS OF THE DISTRICT. The Parity Obligations are limited, special obligations of the District payable from and equally and ratably secured solely by a first lien on and pledge of the Gross Revenues, pursuant to the provisions of this Resolution, and the Registered Owners thereof shall never have the right to demand payment of the principal or interest on the Parity Obligations from any funds raised or to be raised through taxation by the District.

SECTION 16. SECURITY FOR FUNDS. All money on deposit in the funds for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the State law for the security of public funds, and money on deposit in such funds shall be used only for the purposes permitted by this Resolution.

SECTION 17. EXCESS BOND PROCEEDS. Any proceeds of Parity Obligations not required to effectuate the purposes for which such Parity Obligations were issued, as provided in the respective resolutions authorizing the issuance of such Parity Obligations, or for the payment of the costs of issuance of such Parity Obligations shall be deposited and credited to the Revenue Bond Debt Service Fund and shall be taken into consideration and shall reduce the amount of deposits and credits to the Revenue Bond Debt Service Fund from the Gross Revenues or used to redeem or purchase Parity Obligations.

SECTION 18. DEFICIENCIES; EXCESS GROSS REVENUES. (a) If on any occasion there shall not be sufficient Gross Revenues (after making all payments pertaining to all Parity Obligations) to make the required deposits and credits, pursuant to the provisions of this Resolution, including Sections 12, 13 and 14, to (i) the Revenue Bond Debt Service Fund and (ii) the Series 2026 Revenue Bond Reserve Fund and any other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations, then such deficiency shall be cured, in such order, as soon as possible from the next available unallocated Gross Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these funds.

(b) Subject to making the deposits and credits required by this Resolution, including Sections 12, 13 and 14, or any resolutions authorizing the issuance of Additional Parity Obligations, the excess Gross Revenues may be used for any lawful purpose as provided in Section 12.

SECTION 19. INVESTMENT OF FUNDS; VALUATION; TRANSFER OF INVESTMENT INCOME. (a) Money in the Revenue Fund, the Revenue Bond Debt Service Fund, the Series 2026 Revenue Bond Reserve Fund and the Project Fund may, at the option of the District, be invested in Permitted Investments; 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 in terms of current market value no less frequently than the last business day of the District's Fiscal Year, 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 the Depository, except as otherwise permitted by the State laws applicable to the District. 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 District, in common investments of the kind described above, or in a common pool of such investments held by the District or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation 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 necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to (i) the Project Fund and (ii) any rebate fund established for any issue or series of Parity Obligations) shall be credited to the Revenue Fund (except as otherwise provided in Section 11) and shall constitute Gross Revenues.

SECTION 20. PAYMENT OF PARITY OBLIGATIONS. While any of the Parity Obligations are Outstanding, the District shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to (i) the Revenue Bond Debt Service Fund, (ii) if necessary, the Series 2026 Revenue Bond Reserve Fund but only for the debt service of the Series 2026 Bonds and (iii) if necessary, any reserve fund established for any Additional Parity Obligations but only for the debt service related to such Additional Parity Obligations, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Parity Obligations as shall become due on each interest or principal payment date, or date of redemption of the Parity Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Parity Obligations not later than the business day next preceding the date such payment is due on the Parity Obligations. The Paying Agent/Registrar shall destroy all paid Parity Obligations and furnish the District with an appropriate certificate of cancellation or destruction.

SECTION 21. GENERAL COVENANTS. The District further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) *Performance*. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any resolution authorizing the issuance of Parity Obligations, including this Resolution, and in each and every Parity Obligation; it will promptly pay or cause to be paid the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in such resolutions and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Revenue Bond Debt Service Fund and the Series 2026 Revenue Bond Reserve Fund.

(b) *District's Legal Authority*. It is a duly created and existing navigation district, and is duly authorized under State law to create and issue the Series 2026 Bonds; that all action on its part for the creation and issuance of the Series 2026 Bonds has been duly and effectively taken, and that the Series 2026 Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable special obligations of the District in accordance with their terms.

(c) *Title*. It has or will obtain lawful title to the lands, buildings, structures and facilities constituting the Port System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Registered Owners of the Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Gross Revenues to the payment of the Series 2026 Bonds and Additional Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) *Liens*. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the Port System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by State law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

(e) *Operation of Facilities; No Free Service*. It will, while the Parity Obligations are Outstanding and unpaid, continuously and efficiently operate the Port System, and shall maintain the Port System in good condition, repair and working order, all at reasonable cost. No free service of the Port System shall be allowed, except (i) the customary dockage temporarily provided without charge to federal vessels, including vessels belonging to the United States Coast Guard and the United States Navy, and to other vessels temporarily stranded at the District's docks due to inclement weather or other temporary reasons, (ii) services provided each year in connection with certain established community events and to certain nonprofit organizations for social service purposes, (iii) no or below market rent in certain warehouses and buildings for nonprofit organizations providing services to or which benefit the District or which improve the general welfare of the District; and (iv) utility easements on the real property of the District granted for utility lines to the District's customers.

(f) *Further Encumbrance*. While the Parity Obligations are Outstanding and unpaid, it will not additionally encumber the Gross Revenues in any manner, except as permitted and provided in this Resolution in connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Resolution; but the right of the District to issue or incur obligations payable from Net Revenues, junior and subordinate to the lien and pledge on the Gross Revenues with respect to Parity Obligations, is specifically recognized and retained.

(g) *Sale or Disposal of Property*. While the Parity Obligations are Outstanding, it will not sell, convey, mortgage, encumber or otherwise dispose of the Port System, or any significant or substantial part thereof as determined by the District; provided, that the District retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Port System if (i) the Port Director of the District delivers a certificate to the Board to the effect that, following such action by the Board, the District is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the District contained in this Resolution and in the resolutions authorizing the issuance of Additional Parity Obligations;

(ii) the Board makes a finding and determination to the same effect as the certificate of the Port Director of the District set forth in (i) above, and (iii) each national rating service then maintaining a rating on any Parity Obligation delivers a letter or other written confirmation to the District to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the rating agency to withdraw or lower the rating then in effect. It is further provided that whenever the Board determines that any property, machinery, fixtures or equipment is no longer useful in the operations of the Port System, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Port System or to purchase, redeem or defease Parity Obligations. Notwithstanding anything to the contrary contained in this section, the District specifically retains the right to enter into leases of its properties in the ordinary course of its business upon a finding by the Board to the effect that the lease is expected to have a positive impact on Gross Revenues over the term of the lease.

(h) *Insurance*. (1) It shall cause to be insured such parts of the Port System as would usually be insured by navigation districts in the State operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by navigation districts in the State operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the General Counsel of the District gives a written opinion to the effect that the District is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Registered Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the District shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the District. The proceeds of insurance covering such property are hereby pledged as security for the Parity Obligations (except as otherwise provided in the definition of Gross Revenues in Exhibit A) and, together with any other funds necessary and available for such purpose, shall be used forthwith by the District for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Port System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Obligations, ratably in the proportion that the Outstanding principal of each series of Parity Obligations bears to the total Outstanding principal of all Parity Obligations, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

(ii) if none of the Outstanding Parity Obligations is subject to redemption, then for the purchase on the open market and retirement of said Parity Obligations in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official Depository of the District, to be designated the "Insurance Account." The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the District shall have authority to enter into coinsurance, self-insurance or similar plans where risk of loss is shared in whole or in part by the District.

(3) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Operation and Maintenance Expenses.

(i) *Governmental Agencies*. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the Port System, and which have been obtained from any governmental agency; and the District has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the Port System.

(j) *Maintenance Taxes*. The District pledges and will, within the limits and to the extent permitted by State law, levy and collect ad valorem taxes for the purpose of paying the Operation and Maintenance Expenses of the Port System in an amount which, together with Gross Revenues as shall, in the judgment of the Board be available for such purpose, will be sufficient to pay the Operation and Maintenance Expenses as provided in this Resolution, including subsection (e) above and Section 12. All such taxes shall be (i) be deposited to the credit of the Revenue Fund, (ii) separately accounted for and (iii) used to pay the Operation and Maintenance Expenses of the Port System. No part of any moneys raised or to be raised by such tax shall ever be used for the payment of the principal of or interest on any Parity Obligations.

SECTION 22. RECORDS AND ACCOUNTS; ANNUAL AUDIT. The District covenants and agrees that so long as any of the Parity Obligations remain Outstanding, the District will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the Port System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the Port System or the Gross Revenues thereof, as provided by generally accepted accounting principles, consistently applied, and applicable State law. The Registered Owners of the Parity Obligations or any duly authorized agent or agents of such Registered Owners shall have the right to inspect the Port System and all properties comprising the same. The District further agrees that, following the close of each Fiscal Year, the District will cause an audit report of such records and accounts to be made by an Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the District's principal office and may be furnished to, upon written request, any Registered Owner upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the Port System shall be considered as Operation and Maintenance Expenses.

SECTION 23. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. (a) The District shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver Additional Parity Obligations, in accordance with State law, in any amounts, for purposes authorized by State law, including refunding of any Parity Obligations or other obligations of the District incurred in connection with the ownership or operation of the Port System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Gross Revenues as herein granted.

(b) The Revenue Bond Debt Service Fund established by this Resolution shall secure and be used to pay all Parity Obligations. However, each resolution under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Parity Obligations to be deposited to the credit of the Revenue Bond Debt Service Fund, the District shall deposit to the credit of the Revenue Bond Debt Service Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due.

(c) The District may create and establish a reserve fund pursuant to the provisions of any resolution authorizing the issuance of Additional Parity Obligations, but consistent with the provisions of Sections 12 and 14, including the period to cure any deficiency in such reserve fund, for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said reserve funds shall no longer constitute Gross Revenues and shall be held solely for the benefit of the Registered Owners of the particular Parity Obligations for which such reserve fund was established. Each such reserve fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such reserve fund from the Series 2026 Revenue Bond Reserve Fund and the reserve funds created for the benefit of other Parity Obligations.

SECTION 24. FURTHER REQUIREMENTS FOR ADDITIONAL PARITY OBLIGATIONS. Any Additional Parity Obligations shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, series or issue of Additional Parity Obligations shall be issued or delivered unless:

(a) The Port Director of the District and the President or the Vice President of the Board sign a written certificate to the effect that the District is not in default as to any covenant, condition or obligation in connection with all outstanding Parity Obligations, and the resolutions authorizing same, and that the Revenue Bond Debt Service Fund, the Series 2026 Revenue Bond Reserve Fund and any reserve fund securing any other series or issue of Parity Obligations each contains the amount then required to be therein.

(b) (i) The Chief Financial Officer of the District signs and delivers to the District a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period during the preceding 24 months prior to the date issuance of the then proposed Additional Parity Obligations, the Net Revenues were, in the opinion thereof, at least equal to 125% of the Maximum Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations or (ii) the amount of estimated Net Revenues, as certified in a certificate of a Consulting Engineer, for the Fiscal Year in which such Additional Parity Obligations are to be issued and each of the five subsequent Fiscal Years is at least equal to 125% of the Annual Debt Service Requirements during each of such Fiscal Years (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations.

In calculating Net Revenues for purposes of subsection (b)(i) above, the ad valorem tax levied by the District in such Fiscal Year or applicable twelve consecutive calendar month period, as the case may be, for Operation and Maintenance Expenses shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in such calculation. In calculating Net Revenues for purposes of subsection (b)(ii) above, the Chief Financial Officer of the District shall provide to the Consulting Engineer an estimate of the ad valorem tax to be levied by the District in each such Fiscal Year for Operation and Maintenance Expenses shall be applied to reduce the amount of Operation and Maintenance Expenses utilized in the calculation of the Consulting Engineer.

(c) In making a determination of Net Revenues for any of the purposes described in this section, the Chief Financial Officer of the District or the Consulting Engineer, as the case may be, may take into consideration a change in the tariffs, rentals, tolls, fees, rates and charges for services and facilities afforded by the Port System that became effective at least 60 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues tests described above, make a pro forma determination of the Net Revenues of the Port System for the period of time covered by the certification or opinion of the Chief Financial Officer of the District or the Consulting Engineer, respectively, based on such change in tariffs, rentals, tolls, fees, rates and charges being in effect for the entire period covered by such certificate or opinion.

SECTION 25. REFUNDING BONDS. The District reserves the right to issue Additional Parity Obligations to refund all or any part of the Outstanding Parity Obligations or any other obligations of the District payable, in whole or in part, from the Gross Revenues, pursuant to any State law then available, upon such terms and conditions as the Board may deem to be in the best interest of the District and the customers of the Port System, and, unless all of the then Outstanding Parity Obligations are refunded, the conditions precedent prescribed for the issuance of Additional Parity Obligations and the representations and certifications required in Sections 23 and 24 shall be satisfied and shall give effect to the Annual Debt Service Requirements of the proposed refunding Additional Parity Obligations (but shall not give effect to the Annual Debt Service Requirements of the obligations being refunded following their refunding); provided, however, if as a result of such refunding the Annual Debt Service

Requirements are not increased in any Fiscal Year, the District shall not be required to satisfy the requirements of Section 24(b) as a requirement for the issuance of such refunding Additional Parity Obligations.

SECTION 26. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The District hereby reserves the right to issue, at any time, obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of the Gross Revenues, as provided in this Resolution, securing the payment of the Parity Obligations, as may be authorized by the laws of the State.

SECTION 27. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Resolution shall be construed to deny the District the right and it shall retain, and hereby reserves unto itself, the right to issue obligations for or related to any Special Project secured by liens on and pledges of revenues and proceeds derived from Special Projects (which do not constitute a part of Gross Revenues).

SECTION 28. REMEDIES IN EVENT OF DEFAULT. (a) *Events of Default*. In addition to all the rights and remedies provided by State law, it is specifically covenanted and agreed particularly that the following occurrences or events are each declared to be an "Event of Default":

(i) defaults in the payment of the principal, premium, if any, or interest on the Series 2026 Bonds,

(ii) defaults in the deposits and credits required to be made to the Revenue Bond Debt Service Fund or Series 2026 Revenue Bond Reserve Fund, or

(iii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Series 2026 Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Registered Owner to the District.

(b) *Remedies for Default*.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner of the Series 2026 Bonds or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the District, or any official, officer or employee of the District in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners of the Series 2026 Bonds under this 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 herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners of the Series 2026 Bonds hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Parity Obligations then Outstanding.

(c) *Remedies Not Exclusive*.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Series 2026 Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate any Parity Obligation shall not be available as a remedy under this Resolution.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

SECTION 29. AMENDMENT OF RESOLUTION. (a) *Amendments Without Consent*. This Resolution and the rights and obligations of the District and of the Registered Owners of the Outstanding Parity Obligations, including the Series 2026 Bonds, may be modified or amended at any time without notice to or the consent of any Registered Owner of the Outstanding Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the District contained in this Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the District in this Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Resolution, upon receipt by the District of an approving written opinion of counsel, acceptable to the District, that the same is needed for such purpose, and will more clearly express the intent of this Resolution;

(iii) To supplement the security and pledge for the Outstanding Parity Obligations in accordance with the State law;

(iv) To make such other changes in the provisions hereof as the District may deem necessary or desirable and which shall not, in the judgment of the District, materially adversely affect the interests of the Registered Owners of Outstanding Parity Obligations;

(v) To make any changes or corrections prior to the initial delivery of the Series 2026 Bonds as contemplated in Section 41; or

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the Registered Owners of the Outstanding Parity Obligations.

(b) *Amendments With Consent*. Subject to the provisions of Section 29(g) of this Resolution, the Registered Owners of Outstanding Parity Obligations aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this section, to this Resolution which may be deemed necessary or desirable by the District; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the Registered Owners of all of the Outstanding Parity Obligations (unless such amendment shall be determined by the District to affect only the Registered Owners of certain Parity Obligations, in which case such amendment shall not be made without the approval of the Registered Owners so affected), the amendment of the terms and conditions in this Resolution so as to:

(i) Grant to the Registered Owners of any Outstanding Parity Obligations a priority over the Registered Owners of any other Outstanding Parity Obligations; or

(ii) Materially adversely affect the rights of the Registered Owners of less than all Parity Obligations then Outstanding; or

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or

(iv) Make any change in the maturity of any Outstanding Parity Obligations; or

(v) Reduce the rate of interest borne by any Outstanding Parity Obligations; or

(vi) Reduce the amount of the principal payable on any Outstanding Parity Obligations; or

(vii) Modify the terms of payment of the amounts required to meet any financial obligations of the District relating to the Outstanding Parity Obligations, including payments due on or with respect to the payment of any Outstanding Parity Obligations, or impose any conditions with respect to such; or

(viii) Amend this subsection (b) of this section.

(c) *Notice*. If at any time the District shall desire to amend this Resolution pursuant to subsection (b) of this section, the District shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Registrar for any Parity Obligations for inspection by all Registered Owners of Parity Obligations. Such publication is not required, however, if the District gives or causes to be given such notice in writing, by certified U.S. mail, to each Registered Owner of affected Parity Obligations. A copy of such notice shall be provided in writing to each Rating Agency maintaining a rating on any Parity Obligations.

(d) *Receipt of Consents*. With respect to any amendment undertaken pursuant to subsection (b) above, whenever at any time the District shall receive an instrument or instruments executed by all of the Registered Owners or the Registered Owners of a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the District may adopt the amendatory resolution in substantially the same form.

(e) *Effect of Amendments*. Upon the adoption by the District of any resolution to amend this Resolution pursuant to the provisions of this section, this Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the District and all the Registered Owners of then Outstanding Parity Obligations and all future Parity Obligations shall thereafter be determined, exercised, and enforced under this Resolution, as amended.

(f) *Consent Irrevocable*. Any consent given by any Registered Owner of Parity Obligations pursuant to the provisions of this section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this section or the date of such consent, whichever is later, and shall be conclusive and binding upon all future Registered Owners of the same Parity Obligations during such period. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the Registered Owner who gave such consent, or by a successor in title, by filing notice thereof with the registrar for such Parity Obligations and the District, but such revocation shall not be effective if the Registered Owners of the requisite amount of the Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given or deemed given by a Registered Owner at the time of and in connection with the initial sale or incurrence of an issue or series of Parity Obligations by the District shall be irrevocable.

(g) *Ownership*. For the purpose of this section, the District may determine in each resolution authorizing Additional Parity Obligations the treatment of who may also act as an "Registered Owner" having consent rights under this section and similar provisions in such resolutions authorizing Additional Parity Obligations and other matters relating to all Parity Obligations, including designating any municipal bond insurance company providing a municipal bond insurance policy on the payment of Additional Parity Obligations.

Notwithstanding anything to the contrary in this Resolution, the District may conclusively rely upon a certification by any person to the effect that such person is the beneficial owner of a specified Outstanding Principal Amount of any issue or series of Parity Obligations in the Book-Entry-Only System in determining whether the Registered Owners of a specified percentage of the Outstanding Principal Amount of such issue or series of Parity Obligations has consented, approved, waived, directed or otherwise taken any action under this Resolution or any applicable resolution authorizing Additional Parity Obligations.

(h) *Amendments of Resolutions Authorizing Additional Parity Obligations*. Each resolution authorizing Additional Parity Obligations shall contain provisions governing the ability of the District to amend such resolution in a manner consistent with this section; provided, however, that no amendment may be made to any resolution authorizing Additional Parity Obligations for the purpose of granting to the owners of an issue or series Outstanding Parity Obligations under such resolution a priority over the owners of any other Outstanding Parity Obligations.

SECTION 30. DEFEASANCE OF SERIES 2026 BONDS. (a) Any Series 2026 Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsections (c) and (e) of this section, when payment of the principal of such Series 2026 Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Series 2026 Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2026 Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the District will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Series 2026 Bond as aforesaid when proper notice of redemption of such Series 2026 Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with this Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this section may at the discretion of the District also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this section which is not required for the payment of such Series 2026 Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the District.

(c) Notwithstanding any provision of any other section of this Resolution which may be contrary to the provisions of this section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this section for the payment of principal of the Series 2026 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Series 2026 Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) Notwithstanding anything elsewhere in this Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this section for the payment of Series 2026 Bonds and such Series 2026 Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this section shall be made without the consent of the registered owner of each Series 2026 Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of this Resolution, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

APPENDIX C

EXCERPTS FROM THE

PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended July 31, 2025

The information contained in this Appendix consists of excerpts from the Port of Port Arthur Navigation District of Jefferson County, Texas Annual Financial Report for the Year Ended July 31, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

BBL
Brammer, Begnaud & Lattimore, CPAs
a professional services firm

Independent Auditor's Report

Port Commissioners
Port of Port Arthur Navigation District of Jefferson County, Texas
Port Arthur, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port of Port Arthur Navigation District of Jefferson County, Texas, (the "District") as of and for the year ended July 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Port of Port Arthur Navigation District of Jefferson County, Texas, as of July 31, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port of Port Arthur Navigation District of Jefferson County, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management

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 Port of Port Arthur Navigation District of Jefferson County, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. 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 generally accepted auditing standards and *Governmental Auditing Standards* 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

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likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, 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 District'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 District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 through 11, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, page 38 and 39, and the Schedule of Employer Contributions, page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of federal and state awards is presented for the purpose of additional analysis as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Grant Management Standards* and is also not a part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November , 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Port Arthur, Texas
December 17, 2025

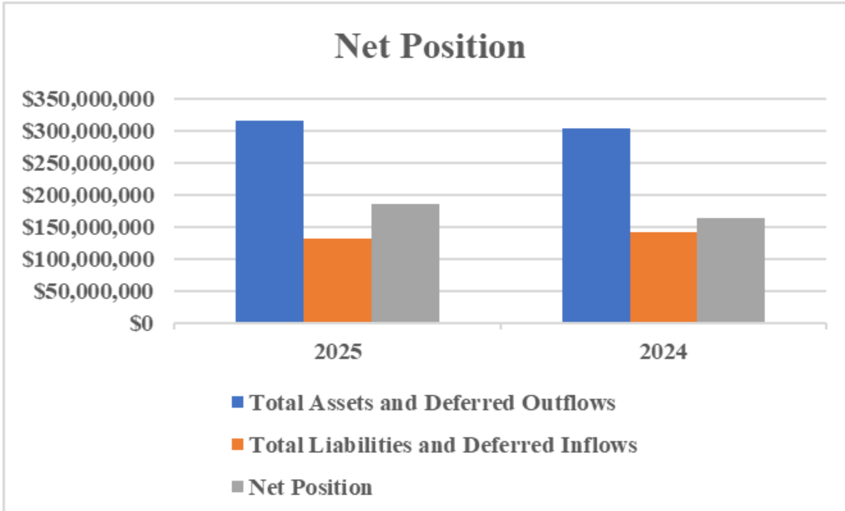
Port of

PORT ARTHUR

As management of the Port of Port Arthur Navigation District of Jefferson County, Texas (Port), we offer readers of the Port's financial statements a narrative overview and analysis of the Port's activities and financial performance for the year ended July 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-v of this report.

Financial Highlights

- The total assets and deferred outflows of the Port have continued to grow, exceeding $315 million at year end.
- The assets and deferred outflows of resources of the Port exceed liabilities and deferred inflows of resources at July 31, 2025 by $185,125,788 (net position). This is an increase of $21,396,293 from the net position at July 31, 2024 of $163,729,495.



OVERVIEW OF THE FINANCIAL STATEMENTS

The Port's basic financial statements are comprised of the financial statements and the notes to the financial statements. The basic financial statements can be found on pages 12 through 16 of this report. Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Port's finances, in a manner similar to a private sector business. These statements offer short and long term financial information about its activities. The Statement of Net Position presents information on all of the Port's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. The assets and liabilities are presented in a format which distinguishes between current and long term assets and liabilities. Net position increases when revenues exceed expenses. An increase in assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net position accounts for all of the Port's current year's revenues and expenses. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. earned but unused vacation leave).

The primary purpose of the Statement of Cash Flows is to provide information about the Port's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17 - 35 of this report.

Component Units

The basic financial statements include not only the Port, but also its component unit. The component unit is blended in the Port's financial statements because of the significance of its operational and financial relationship with the Port. The Port Arthur Navigation District Industrial Development Corporation (PANDIDC) operations are included with the Port. The Directors of the PANDIDC are Port Commission Board members and staff appointed by the Port Commissioners. The Pollution Control Bonds and Industrial Development Bonds issued through the PANDIDC are not reported as general long term debt of, nor are the associated contract receivables included as assets of the Port. The bonds are not legal or moral obligations of the Port. Disclosure of the bonds and full information regarding the nature of these obligations are made in the notes to the financial statements and supplementary schedules.

Required Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the basic financial statements. These schedules are found on pages 38 - 40 of this report.

FINANICAL ANALYSIS

Statement of Net Position

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

The following condensed Statement of Net Position provides an overview of the Port's net position as of July 31, 2025 and 2024.

Condensed Statement of Net Position

	2025	2024	2025-2024 Change
Assets			
Current Assets	$ 50,572,961	$ 47,819,142	$ 2,753,819
Noncurrent Assets	60,691,018	56,230,231	4,460,787
Capital Assets	203,076,614	199,279,380	3,797,234
Total Assets	*314,340,593*	*303,328,753*	*11,011,840*
Deferred Outflows of Resources	*1,583,907*	*1,687,976*	*(104,069)*
Liabilities			
Current liabilities	8,826,543	14,512,096	(5,685,553)
Long-term debt, net of current portion	83,144,255	86,654,255	(3,510,000)
Total Liabilities	*91,970,798*	*101,166,351*	*(9,195,553)*
Deferred Inflows of Resources	*38,827,914*	*40,120,883*	*(1,292,969)*
Net Position			
Net investment in capital assets	116,036,376	105,635,472	10,400,904
Restricted	8,499,089	3,944,242	4,554,847
Unrestricted	60,590,323	54,149,781	6,440,542
Total Net Position	**$ 185,125,788**	**$ 163,729,495**	**$ 21,396,293**

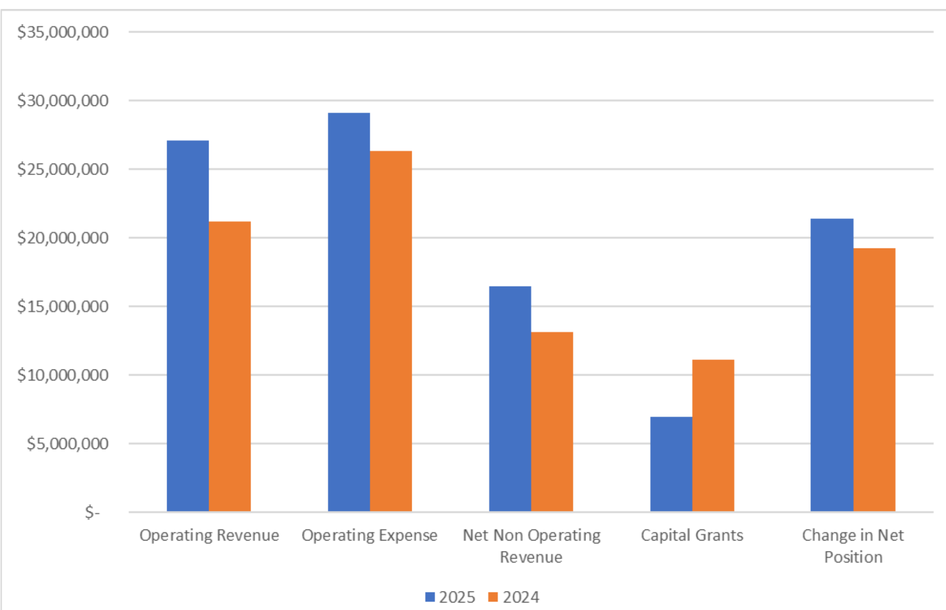
The Port continued investment in capital assets with an increase of $3.8 million in the current fiscal year. The Port uses, and will continue to use well into the future, these assets to serve its customers. With the scheduled retirement of long term debt, total liabilities decreased $9.2 million.

The Port's total net position increased $21.4 million in the fiscal year ended July 31, 2025. This increase is driven by the investment in capital assets, as the port continues to leverage capital grants to build port infrastructure. Unrestricted net position ended the year at $60.6 million, an increase of $6.4 million from the prior year. The remaining net position is restricted for use as legally obligated by state law or board restriction.

The Statement of Revenues, Expenses and Changes in Net Position serve as a measure of the effectiveness of the Port's activity. For fiscal year 2025, the net position of the Port increased $21.4 million, $2.2 million more than the fiscal 2024 increase of $19.2 million.

The following Statement of Revenues, Expenses and Changes in Net Position summarizes the operations of the Port for the years ended July 31, 2025 and 2024:

	2025	2024	2025-2024 Change
Operating Revenues	$ 27,065,667	$ 21,218,262	$ 5,847,405
Operating Expenses			
General and Administrative	8,571,960	7,522,900	1,049,060
Maintenance and Operations	13,784,709	13,182,498	602,211
Depreciation	6,732,714	5,585,542	1,147,172
Total Operating Expenses	29,089,383	26,290,940	2,798,443
Operating Loss	(2,023,716)	(5,072,678)	3,048,962
Non Operating Revenue (Expense)			
Property Tax Revenue	13,960,091	13,827,504	132,587
Interest Revenue	2,344,253	2,848,376	(504,123)
Claims and litigation	3,433,242	69,000	3,364,242
Interest Expense and Fiscal Charges	(3,353,391)	(3,538,324)	184,933
Gain (Loss) on disposal of assets	2,275	(39,677)	41,952
Other Non-Operating Revenue	53,750	-	53,750
Net Non Operating Revenue	16,440,220	13,166,879	3,273,341
Income before Capital Grants	14,416,504	8,094,201	6,322,303
Capital Grants	6,979,789	11,122,570	(4,142,781)
Change in Net Position	21,396,293	19,216,771	2,179,522
Net Position - Beginning of Year	163,729,495	144,512,724	19,216,771
Net Position - End of Year	$ 185,125,788	$ 163,729,495	$ 21,396,293



Operating revenue increased $5.8 million due to increased cargo volumes and vessel traffic, along with increased intergovernmental revenue. Operating expenses increased $3.2 million over FY 2024, driven primarily by increased cargo handling due to increased volumes. Maintenance and depreciation costs increased with additional capital facilities. Net, non-operating revenue increased $3.2 million due to claims settlements.

The Port has utilized capital grants to support capital project development. As projects are advanced and expenses incurred, grant funds are requested on a reimbursement basis and the revenue then recognized. For fiscal year 2025, this revenue was $6.98 million, $4.1 million less than FY 2024. This revenue was recognized on the following projects:

Maritime Administration	
BUILD 2018 - Berth 6 Project	$ 1,006,950
PIDP - Transit Shed 1 Replacement	52,662
Economic Development Administration	
Berth 5 Backlands	1,202,128
Texas Department of Transportation	
Railyard Flyover	2,195,698
5 Acre Truck Queuing Area	1,335,266
Department of Homeland Security (FEMA)	
Port Security Grant Projects	1,187,085
	$ 6,979,789

Capital Assets and Debt Administration

The Port's investment in capital assets as of July 31, 2025 was $203,076,614, net of accumulated depreciation. This investment includes port facilities, real property, equipment and construction in progress.

There was a net increase in capital assets of $3.8 million during the 2025 fiscal year, driven by the ongoing development of capital projects and the purchase of additional real property for future port development, exceeding annual depreciation.

	2025	2024	2025-2024 Change
Capital Assets, Not Being Depreciated			
Land	$ 14,748,809	$ 13,800,386	$ 948,423
Work in Progress	12,096,650	77,505,942	(65,409,292)
Total Capital Assets, Not Being Depreciated	26,845,459	91,306,328	(64,460,869)
Capital Assets, Being Depreciated			
Land Improvements	9,376,985	9,957,341	(580,356)
Furniture, Fixtures and Equipment	3,160,832	1,180,062	1,980,770
Buildings			
Executive Offices	20,727	34,926	(14,199)
Other Buildings	8,255,565	8,783,836	(528,271)
Port Facilities	155,417,046	88,016,609	67,400,437
Investigations and Studies	-	278	(278)
Total Capital Assets Being Depreciated	176,231,155	107,973,052	68,258,103
Net Total Capital Assets	$ 203,076,614	$ 199,279,380	$ 3,797,234

Major capital activity during the 2025 fiscal year included the following:

- Berth 6 was completed, placed in service and costs transferred from "work in progress" to "port facilities".
- The Berth 5 Backlands project was under construction, and slated to be completed in FY 2026.
- Texas Department of Transportation (TXDOT) awarded the Port $19.6 million for the construction of the Railyard Flyover project. This project was in design during the 2025 year.
- TXDOT project to improve Lot 8, a 5 acre truck queuing and staging area, was under construction, also on schedule to be complete and placed in service in late 2025.

Additional information on the Port's capital assets can be found in Note II.E., page 26, of this report.

Long Term Debt

At July 31, 2025, the Port had total bonded debt outstanding of $90.3 million supported by property tax revenue. The Port's total debt decreased by $3.62 million with scheduled debt retirement and amortization of bond premium.

	2025	2024	2025-2024 Change
Unlimited Refunding Bonds	$ 3,210,000	$ 6,330,000	$ (3,120,000)
Port Improvement Bonds	80,780,000	81,080,000	(300,000)
Bond Premium	2,664,255	2,931,001	(266,746)
	$ 86,654,255	$ 90,341,001	$ (3,686,746)

Additional information on the Port's long-term debt can be found in Note II.G, page 32 of this report.

Economic Factors and Next Year's Budget

Despite the economic and market changes presented by tariffs and global disruptions the Port continued to sustain activity, and revenue, providing essential services in the pulp and wood product supply chains, as well as serving the United States Military. The Port is well positioned, with a diverse customer base, to continue to grow revenue and create economic activity in the community.

The Port continues to position itself for the future through further capital investment. The Port has received significant grant funding to enhance this activity providing for increased operational capacity and efficiency. The following projects will provide the Port increased opportunity to serve growing demands for cargo activity across the docks:

- The recently completed Berth 5 will be enhanced with $3 million from the Economic Development Administration CARES Act which will improve the backlands at the site providing added storage and mobility capability in cargo handling.
- The U.S. Department of Transportation Maritime Administration Port Infrastructure Development Program (PIDP)has provided $9.72 million toward a $13.9 million project to remove a 80,000 square foot transit shed and replace with a modern 100,000 square foot logistics facility.
- The Port received another PIDP project award for a new 50,000 square foot transit shed with rail access improvements and support. This $6 million award will assist in funding this $10 million project.
- $3.4 million of Texas Department of Transportation, Rider 37 projects will improve rail and traffic mobility and provide improved truck queuing areas.

- Texas Department of Transportation (TXDOT) awarded the Port $19.6 million for the construction of the Railyard Flyover project. This project will improve access to the operations areas of the Port, improving traffic and cargo movement.
- The U.S. Department of Transportation, Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program award of $13.6 million in funding for a $19.4 million project that will develop additional improvements for cargo storage and handling and port operations.

Requests for Information

The Annual Comprehensive Financial Report is designed to provide a general overview of the Port's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port's Director of Finance, 221 Houston Avenue, Port Arthur, Texas 77641.

Port of Port Arthur Navigation District
of Jefferson County, Texas

Statement of Net Position
July 31, 2025

Assets		
Current Assets		
Cash and cash equivalents		$ 30,684,720
Short-term investments		2,243,499
Lease receivable		1,350,166
Receivables:		
Accounts, net of allowance for doubtful accounts	$ 3,324,902	
Property taxes	754,841	
Grants	3,021,367	
Accrued interest	199,674	
		7,300,784
Restricted assets:		
Cash and cash equivalents	$ 7,645,663	
Property tax receivable	646,303	
		8,291,966
Prepaid Insurance		701,826
Total Current Assets		$ 50,572,961
Noncurrent Assets		
Investments	$ 18,973,461	
Lease receivable	41,717,557	
		$ 60,691,018
Capital Assets		
Capital assets not being depreciated	$ 26,845,459	
Capital assets, net of accumulated depreciation	176,231,155	
		203,076,614
Total Noncurrent Assets		$ 263,767,632
Total Assets		**$ 314,340,593**
Deferred Outflows of Resources		
Net pension asset		$ 470,432
Deferred outflows related to pensions		1,065,853
Deferred charge on refunding		47,622
Total Deferred Outflows of Resources		**$ 1,583,907**

The notes to the financial statements are an integral part of this statement.

Port of Port Arthur Navigation District
of Jefferson County, Texas

Statement of Net Position - Continued
July 31, 2025

Current Liabilities		
Accounts payable		$ 3,002,266
Accrued expenses		429,224
Accrued interest payable		1,451,448
Current portion of general obligation bonds		3,759,793
Contractor retainage		433,605
	Total Current Liabilities	$ 9,076,336
Non Current Liabilities		
General obligation bonds, net of current portion		$ 82,894,462
	Total Non Current Liabilities	$ 82,894,462
	Total Liabilities	**$ 91,970,798**
Deferred Inflows of Resources		
Lease related		$ 38,100,077
Pension related		727,837
	Deferred Inflows of Resources	**$ 38,827,914**
Net Position		
Net investment in capital assets		$ 116,036,376
Restricted for:		
Debt service		3,066,299
Maintenance Dredging		3,000,532
Capital Projects		2,213,897
Promotion and development		18,361
Insurance		200,000
Unrestricted		60,590,323
	Total Net Position	**$ 185,125,788**

The notes to the financial statements are an integral part of this statement.

Port of Port Arthur Navigation District
of Jefferson County, Texas

Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended July 31, 2025

Operating Revenue		
Public terminal revenue	$	27,065,667
Total Operating Revenue	$	27,065,667
Operating Expenses		
General and administrative	$	8,571,960
Maintenance and operations		13,784,709
Depreciation		6,732,714
Total Operating Expense	$	29,089,383
Operating Loss	$	(2,023,716)
Non-Operating Income (Expense)		
Property tax revenue, net of expense	$	13,960,091
Interest income		2,344,253
Claims and litigation		3,433,242
Gain on disposal of assets		2,275
Other non-operating income		53,750
Interest expense and fiscal charges		(3,353,391)
Net Non-Operating Income	$	16,440,220
Income Before Capital Grants	$	14,416,504
Capital Grants		6,979,789
Change in Net Position	$	21,396,293
Net Position - Beginning of Year		163,729,495
Net Position - End of Year	**$**	**185,125,788**

The notes to the financial statements are an integral part of this statement.

Port of Port Arthur Navigation District
of Jefferson County, Texas

Statement of Cash Flows
For the Year Ended July 31, 2025

Cash Flows From Operating Activities	
Cash receipts from customers	$ 19,582,540
Cash payments for goods and services	(19,019,702)
Cash payments to employees for services	(2,785,462)
Net Cash Provided by Operating Activities	$ (2,222,624)
Cash Flows from Non Capital Financing Activities	
Property tax revenue	$ 13,960,091
Other receipts	3,486,994
Net Cash Provided by Non Capital Financing Activities	$ 17,447,085
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	$ (10,536,981)
Carrying value of disposed assets	2,274
Capital grants	6,979,789
Interest expense and fiscal charges	(3,558,923)
Principal payment on capital debt	(3,420,000)
Net Cash (Used for) Capital and Related Financing Activities	$ (10,533,841)
Cash Flows from Investing Activities	
Purchase of investments	$ (19,982,203)
Proceeds from investment maturities	26,479,093
Interest income	2,344,253
Net Cash (Used by) Investing Activities	$ 8,841,143
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 13,531,763**
Cash and Cash Equivalents at Beginning of Year	24,798,620
Cash and Cash Equivalents at End of Year	**$ 38,330,383**
Reconciliation of Cash and Cash Equivalents at End of Year	
Restricted	$ 7,645,663
Unrestricted	30,684,720
Cash and Cash Equivalents at End of Year	**$ 38,330,383**

The notes to the financial statements are an integral part of this statement.

Port of Port Arthur Navigation District
of Jefferson County, Texas

Statement of Cash Flows (cont'd)
For the Year Ended July 31, 2025

Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities

Operating (Loss)	$	(2,023,716)

Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities

Depreciation expense	$	6,732,714
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Accounts receivable		(251,242)
Prepaid expenses		71,509
Net pension asset		(277,261)
Deferred outflows of resources		320,115
Accounts payable		(2,513,013)
Accrued liabilities		35,022
Accrued interest		(52,677)
Contractor retainage		(2,971,106)
Deferred inflows of resources		(1,292,969)
Total Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities	$	(198,908)
Net Cash Provided by Operating Activities	**$**	**(2,222,624)**

The notes to the financial statements are an integral part of this statement.

I. Summary of Significant Accounting Policies

The financial statements of the Port of Port Arthur Navigation District of Jefferson County, Texas (Port) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port's accounting policies are described below.

A. The Reporting Entity

The Port of Port Arthur Navigation District of Jefferson County, Texas was created by a Special Act of the 58th Legislature under provisions of Section 59, Article XVI of the Texas Constitution, ratified by local referendum on July 13, 1964. The Port is independent from other local or state governments and operates within Port boundaries of approximately 59 square miles, including most of the City of Port Arthur and a part of the City of Groves. The five-member elected Board of Port Commissioners governs the affairs of the Port, with management responsibilities vested in the Port Director / Chief Executive Officer. The Port provides the services of a public port with road, rail and pipeline access.

In evaluating how to define the Port (primary government) for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of the GASB Codification of Governmental Accounting and Reporting Standards. GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable.

Port Arthur Navigation District Industrial Development Corporation (PANDIDC) is a non-profit corporation, whose purposes are to promote and develop new and expanded enterprises in the Port and to promote and encourage employment and public welfare. Bonds issued by the PANDIDC are payable from revenues derived from industrial development facilities funded by Pollution Control and Industrial Development Bonds. These bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenue, other than the industrial facilities for which they are issued. Disclosure of the bonds and full information regarding the nature of these special obligations is made in Note II. M. and the supplementary schedules that follow. The PANDIDC is blended in the Port's financial statements because of the significance of its operational and financial relationship with the Port. The PANDIDC Board of Directors is substantively the same as the Board of Commissioners. The management of the Port has operational responsibility of the component unit.

B. Measurement Focus and Basis of Accounting

The Port operates as an enterprise fund to report its financial position and the results of operations. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. All enterprise funds are accounted for on a flow of economic resources measurement focus, whereby all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund equity is classified as net position. Enterprise fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position. The accrual basis of accounting is utilized by enterprise funds. Under the method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port's enterprise fund are charges to customers for the use of facilities and services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. Budget

An annual budget for the Port is adopted on a basis consistent with generally accepted accounting principles for proprietary funds, as a prudent management tool. The Port Director prepares and presents a proposed budget to the Port Commission for their review, amendment and adoption prior to the beginning of the fiscal year, August 1. Periodic budget reports are prepared for management to maintain proper budgetary control and are reviewed by the Port Commission.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand, cash held on deposit with financial institutions in demand deposit accounts, and short-term investments with original maturities of three months or less from date of acquisition. Cash and cash equivalents are included in both restricted and unrestricted assets.

2. *Investments*

In compliance with the Texas Public Funds Investment Act (PFIA), Chapter 2256 Texas Government Code, and the Port's Investment Policy, the Port may invest in obligations of the United States Treasury, or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies; obligations of states, agencies, counties, cities and other political subdivisions of any state having a rating of not less than AA; certificates of deposit, certain mutual funds; fully collateralized repurchase agreements and public funds investment pools.

Investments that mature within one year of acquisition are stated at cost or amortized cost. Investments with a remaining maturity of more than one year at the time of purchase are carried at fair value. Any realized gains and losses in fair value are reported in the operations of the current period.

3. *Accounts Receivable*

Trade receivables are shown net of an allowance for uncollectible accounts which is determined based on historical experience and collection efforts. Bad debts are written off against the accounts receivable allowance when deemed uncollectible.

4. *Prepaid Items*

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

5. *Property, Plant and Equipment*

Property constructed or acquired by purchase is stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are stated at acquisition value as of the date received. Port policy has set the capitalization threshold for reporting capital assets at $5,000. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and Improvements	10-40
Docks and Wharves	20-40
Equipment and Vehicles	5-20
Office Equipment	5-10
Investigations and Studies	10

6. *Restricted Assets*

Proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet. Use of these assets is limited by applicable bond covenants to finance construction projects, by State law for the repayment of long-term debt, or by Board designation for specific purposes.

7. *Compensated Absences*

Port employees are granted vacation at rates of 10 to 25 days per year, depending upon length of employment, and may accumulate up to a maximum of two years' vacation (20 to 50 days). Employees who are eligible for more than 10 days of vacation may elect to sell back to the Port a maximum of 10 days of unused vacation per calendar year. Upon termination, employees are paid for any unused accumulated vacation up to the maximum accumulated days. Vacation is accrued when earned and recorded as a liability.

Sick leave is granted upon employee anniversary date at a rate of 7 days each year. Sick leave of 14 days may be accumulated. Employees do not receive any reimbursement or pay for unused sick leave at the end of the anniversary period. Any accumulated, unused sick leave time will be paid to an employee upon separation from the Port.

8. *Deferred Outflows / Inflows of Resources*
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expenditure) until that period. The Port reports deferred charge on bond refunding and deferred contributions on pension plans. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred contributions for the pension plan were made during the fiscal year but after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net assets that applies to a future period or periods and will not be recognized as inflow of resources (revenue) until that period. Certain amounts related to pensions and leases must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees. A portion of the net position that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

9. *Net Position*
Net position represents the residual interest in the Port's assets and deferred outflows after liabilities are deducted and consists of three sections: net investment in capital assets; restricted and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowings spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments, or by enabling legislation adopted by the Port. Net position that does not meet the definition of net investment in capital assets or restricted is classified as unrestricted.

10. *Leases*
The Port is a lessor for noncancellable leases of various properties. The Port recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Port determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Port uses the U.S. Federal Reserve Bank Prime Loan Rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and those extensions that the Port expects the lessee to exercise.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lease.

The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

E. Revenues and expenses

1. *Operating revenues*

Amounts reported as operating revenue include (1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided, and (2) rental of Port property. Property taxes are reported as non-operating revenues.

2. *Property taxes*

Property taxes are levied annually on October 1 based upon assessed property values as of January 1 of the calendar year certified by the Jefferson Central Appraisal District and tax rates determined by the Port and within the constraints of State Law. Property taxes are recorded as a receivable when levied and become delinquent on February 1 of the subsequent calendar year at which time the applicable property is subject to lien, and penalties and interest are assessed. Property taxes are collected for the Port by the Jefferson County Tax Assessor-Collector.

The Port is permitted by State Law to levy taxes up to \$0.10 per \$100 assessed valuation for operation and maintenance of the Port and an unlimited rate for the payment of principal and interest on long-term debt. The tax rates for fiscal year 2025 and 2024 were:

	July 31, 2025	July 31, 2024
Operations and Maintenance	$ 0.100000	$ 0.100000
Long Term Debt Service	$ 0.077869	$ 0.078531
Total Property Tax Rate	$ 0.177869	$ 0.178531

3. *Nonoperating revenues and expenses*

Operating revenues and expenses generally result from providing services in connection with the Port's principal ongoing operations. Operating expenses include the costs of sales and services, repairs and maintenance expenses, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Conduit Debt Obligations

To further economic development in and near the statutory boundaries of the Navigation District, the Port and PANDIDC, as authorized by state law to be a conduit debt issuer for certain projects, have issued bonds that provide tax-exempt conduit debt financing to certain private-sector entities for the acquisition and construction of specified facilities. The bonds are payable solely from payments from the private sector entities. In addition, there are no financial commitments by the Port or PANDIDC in support of such bond issuances. These conduit bond issues are special, limited obligations of the Port and the PANDIDC payable only from funds received by the respective third party trustee by the respective private sector borrower. Accordingly, the Port and the PANDIDC does not record the assets or liabilities resulting from these completed conduit bond transactions in its accounts since the primary function was acting as a conduit. For providing this service, the Port receives project administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds. The outstanding balance on the bonds issued totaled $1,653,690 at the year ended July 31, 2024. Detailed information on the bonds is included in the supplementary schedule found on page 45 of this report.

H. Recent Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, "Compensated Absences", effective for reporting periods beginning after December 15, 2023. This statement creates a unified model for recognition and measurement of all types of compensated absences and eliminates certain previously required disclosures. Management has evaluated the Statement and determined that there is no implementation required.

GASB Statement 102, Certain Risk Disclosures effective for fiscal years beginning after June 15, 2024. This statement requires governments to disclose information about their exposure to some risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. Management has evaluated the Statement and determined that there is no disclosure required at this time.

The Port has reviewed GASB pronouncements which become effective in future years and have listed below the statements that will be applicable to the Port.

GASB Statement 103, Financial Reporting Model Improvements effective for fiscal years beginning after June 15, 2025 and GASB Statement 104, Disclosure and Classification of Certain Capital Assets effective for fiscal years beginning after June 15, 2025. Management is evaluating the potential effects that the full implementation of these GASB Statements will have on its financial statements for fiscal year 2026.

II. **Detailed notes on all activities**

A. Deposits and Investments

It is the policy of the Port to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Port and conform to state law and Port policy, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity and yield.

As of July 31, 2025, the carrying value of deposits was $2,535,526.71. The total bank deposits were covered by Federal Depository Insurance (FDIC) or were secured by collateral held by the Port's agent in the Port's name.

State statutes and Port policy authorize the Port to invest in obligations of the U.S. government, its agencies and instrumentalities, direct obligations of the state of Texas, fully insured or collateralized certificates of deposit issued by banks authorized to do business in Texas, and local government investment pools rated no lower than AAA. The fair value prices used for the valuation of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets that have been accessed at the measurement date.

As of July 31, 2025, the Port held the following investments:

		Investment Maturities		
	Fair Value	**Less than 1 year**	**1-3 years**	**Weighted Average Maturity (Days)**
Certificates of Deposit	$ 244,000	$ 244,000	$ -	0
US Federal Agency Securities	20,972,960	1,999,499	18,973,461	280
State Investment Pools	35,897,006	35,897,006	-	1
	$ 57,113,966	$ 38,140,505	$ 18,973,461	
Short term investments included in cash and cash equivalents	(35,897,006)	(35,897,006)	-	
Total Investments	$ 21,216,960	$ 2,243,499	$ 18,973,461	
Portfolio Weighted Average Maturity				281

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of July 31, 2025, the Port had no foreign currency risk.

Credit Risk
The primary stated objective of the Port's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the Port's approved investments authorized by the adopted Investment Policy occurs in time and demand deposits, repurchase agreements, and state and municipal obligations. All other investments are rated AA, or equivalent by at least one nationally recognized securities rating organization. State law and adopted Investment Policy requires inclusion of a procedure to monitor and act as necessary to changes in credit rating on any investment which requires a rating. The

adopted Investment Policy also requires a procedure to verify continued FDIC insurance on certificates of deposit.

State law and the Port's adopted Investment Policy restricts both depository time and demand deposits to those banks doing business in the State of Texas and further requires full FDIC insurance and / or 102% collateralization from these depositories. Depository certificates of deposit are limited to a stated maturity of three years. Collateral, with a 102% margin, is required and restricted to obligations of the U.S Government, its agencies and instrumentalities and mortgage backed securities which pass the bank test of the Federal Reserve. Independent safekeeping of collateral is required outside the pledging bank's holding company with monthly reporting by the custodian. Securities are priced at market on a daily basis as a contractual responsibility of the bank. The depository/collateral agreement must be executed under the terms of the Financial Industry Resource and Recovery Enforcement Act (FIRREA).

State Investment Pools (TexPool) are required to be rated AAA, or equivalent, by at least one nationally recognized rating organization. The Port's investment policy restricts investments to AAA rated local government investment pools striving to maintain a $1 net asset value and further regulated by state law.

Custodial Credit Risk
To control custody and safekeeping risk, State law and the Port's adopted Investment Policy require collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the Port. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including fair value for both types of transactions. All repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. The counterparty of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

The Port's portfolio contained no repurchase agreements and all bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits and certificates of deposits were held by an independent institution outside the bank's holding company.

Concentration of Risk
The Port recognizes that over-concentration of assets by market sector or maturity as a risk to the portfolio. The adopted Investment Policy establishes diversification as a major objective of the program and sets guidelines for limiting that risk by avoiding over-concentration in securities by issuer or sector.

Interest Rate Risk
Interest rate risk is the risk associated with declines or rises in interest rates, which causes an investment in a fixed income security to increase or decrease in value. In order to limit interest and market rate risk from changes in interest rates, the Port's adopted Investment Policy limits the weighted average maturity of the portfolio to 365 days or less.

B. <u>Restricted Assets</u>
Certain resources set aside for the repayment of the Port's general obligation bonds, capital projects and promotion and development are classified as restricted assets on the Statement of Net Position because

their use is limited by applicable bond covenants and applicable commissioner' action. Components of restricted assets as of July 31, 2025 and July 31, 2024 are as follows:

	July 31, 2025	July 31, 2024
Cash and Cash Equivalents		
Capital Projects	$ 2,213,897	$ 7,321,445
Energy Transfer Projects	3,000,532	-
Debt Service	2,372,375	3,119,786
Promotion and Development	58,859	50,767
Total Restricted Cash and Cash Equivalents	7,645,663	10,491,998
Property Taxes Receivable		
General Obligation Bonds	646,303	669,627
Total Restricted Assets	$ 8,291,966	$ 11,161,625

C. Receivables

Amounts other than leases receivable is aggregated into a single accounts receivable (net of allowance for doubtful accounts). Below is the detail of receivables at July 31, 2025:

	Unrestricted	Restricted	Total
Trade accounts	$ 3,492,650	$ -	$ 3,492,650
Less: allowance for doubtful accounts	(167,748)	-	(167,748)
Trade Receivables, Net	3,324,902	-	3,324,902
Property taxes	754,841	646,303	1,401,144
Interest receivable	199,674	-	199,674
Grants receivable	3,021,367	-	3,021,367
Total Receivables, Net	**$ 7,300,784**	**$ 646,303**	**$ 7,947,087**

D. Lease Receivable

At July 31, 2025, the Port held six (6) lease contracts for Port property. These leases are valued based upon the following assumptions:

- Stated noncancelable term of the lease plus extensions expected to be exercised by the lessee
- Fixed payments
- Variable payments dependent upon the Consumer Price Index
- Discounted using the U.S. Federal Reserve Bank Prime Borrowing Rate effective at the date of the transaction

Variable lease payments that are based upon future performance are not included in the measurement of the lease receivable. These payments are recognized as revenue in the period to which the payments relate.

Under the terms of two (2) of the six leases, the Port may receive variable lease payments based upon excess cargo volumes measured on an annual basis. These payments are not included in the valuation of the lease receivable.

Inflow of Resources from Leases

	FY 2025	FY 2024
Lease Revenue	$ 1,645,315	$ 1,623,590
Interest Revenue	1,554,160	1,566,832
Variable Payments	-	-
	$ 3,199,475	**$ 3,190,422**

E. Capital Assets

Capital asset activity for the year ended July 31, 2025, was as follows:

	Beginning August 1, 2024	Additions	Retirements	Ending July 31, 2025
Capital Assets, Not Being Depreciated				
Land	$ 13,800,385	$ 948,424	$ -	$ 14,748,809
Work in Progress	77,505,943	10,336,383	75,745,676	12,096,650
Total Capital Assets, Not Being Depreciated	91,306,328	11,284,807	75,745,676	26,845,459
Capital Assets, Being Depreciated				
Land Improvements	11,706,361	-	-	11,706,361
Furniture, Fixtures and Equipment	5,182,682	2,740,511	-	7,923,193
Buildings				
Executive Offices	814,370	-	-	814,370
Other Buildings	10,718,063	-	-	10,718,063
Port Facilities	153,488,083	72,250,306	-	225,738,389
Investigations and Studies	1,296,186	-	-	1,296,186
Total Capital Assets Being Depreciated	183,205,745	74,990,817	-	258,196,562
Less: Accumulated Depreciation				
Land Improvements	1,749,020	580,356	-	2,329,376
Furniture, Fixtures and Equipment	4,002,622	759,739	-	4,762,361
Buildings				
Executive Offices	779,444	14,199	-	793,643
Other Buildings	1,934,226	528,272	-	2,462,498
Port Facilities	65,471,474	4,849,870	-	70,321,344
Investigations and Studies	1,295,908	278	-	1,296,186
Total Accumulated Depreciation	75,232,693	6,732,714	-	81,965,407
Net Capital Assets, Being Depreciated	107,973,052	68,258,103	-	176,231,155
Net Total Capital Assets	**$ 199,279,380**	**$ 79,542,910**	**$ 75,745,676**	**$ 203,076,614**

F. Accrued Liabilities

Accrued liabilities reported at July 31, 2025 and July 31, 2024, were as follows:

	July 31, 2025	July 31, 2024
Salary and other employee benefits	$ 429,224	$ 394,202
Total accrued liabilities	$ 429,224	$ 394,202

G. Pension Plans

1) Texas County and District Retirement System (TCDRS)

Plan Description

The Port provides pension, disability, and death benefits for all full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of the TCDRS is responsible for the administration of the state-wide agent multi-employer public employee retirement system consisting of over 700 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Annual Comprehensive Financial Report (ACFR) on a calendar year basis that can be obtained at www.tcdrs.org.

Plan Membership as of the measurement date, December 31, 2024

Active members	24
Current Retirees and Beneficiaries	13
Inactive plan members entitled to, but not yet receiving benefits	1
Total	38

Benefits

The plan provisions are adopted by the governing body of the Port, within the options available in the Texas state statues governing TCDRS (the TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years, but must leave their accumulated contributions in the plan to receive any employer financed benefits. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefit can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic Cost of Living Adjustments (COLAs). Each year, the Port may elect an ad hoc COLA for its retirees (if any).

Contributions

The plan is funded by monthly contributions from both the employee members and the employer contributions based upon the covered payroll of the employee members. TCDRS member district's contribution rate is calculated annually on an actuarial basis. The rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act.

Under the TCDRS Act, the contribution rate of the Port is actuarially determined annually. The Port contributed at the rates of:

11.15%	August – December 2024
11.64%	January – July 2025

The contribution rate of the employee members was 7% for the same periods as adopted by the governing body of the Port. The employee contribution rate and the Port's contribution rate may be changed by the governing body of the Port within the options available in the TCDRS Act. The contributions made by the Port in excess of the actuarially determined rate is classified as Net Pension Asset and reflected as a non-current asset on the Port Statement of Net Position. Contributions to the pension plan from the Port are shown in the Schedule of Employer Contributions.

Investments
The long term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at the March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.0%	5.35%
Global Equities	MSCI World (net) Index	4.0%	5.15%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.0%	4.00%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.0%	4.75%
Investment Grade Bonds	Bloomberg US Aggregate Bond Index	3.0%	2.55%
Strategic Credit	FTSE High Yield Cash Pay Capped Index	9.0%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD In	16.0%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index(3)	4.0%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index, 33% S&P Global REIT (net) Index	2.0%	3.95%
Master Limited Partnerships (MLP)	Alerian MLP Index	2.0%	4.95%
Commodities	Bloomberg Commodities Index	2.0%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	6.0%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(5)	25.0%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.0%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.0%	1.10%

(1) Target asset allocation adopted at the March 2024 TCDRS Board Meeting.
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.
(3) Includes vintage years 2005-present Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Partial Lump Sum Option (PLOP)
The Partial Lump Sum Option (PLOP) offers participants the option of receiving a partial pension benefit as a lump sum cash payment at the time of retirement in an amount equal to participant contribution. When a participant elects the PLOP, the monthly benefit payments are reduced.

Net Pension Liability (Asset)

	December 31, 2024	December 31, 2023
Total pension liability	$ 12,053,310	$ 11,304,320
Fiduciary net position	12,523,742	11,497,491
Net pension liability (asset)	$ (470,432)	$ (193,171)
Fiduciary net position, as a % of total pension liability	103.90%	101.71%
Pensionable covered payroll (1)	$ 2,648,723	$ 2,392,772
Net pension liability as a % of covered	-17.76%	-8.07%
Discount rate (2)	7.60%	7.60%
Long term expected rate of return, net of investment expenses (3)	7.60%	7.60%
Municipal bond rate (3)	Does not apply	Does not apply

Note: Rounding differences may exist above or in other tables in this report.
(1) Payroll is calculated based on contributions as reported to TCDRS.
(2) This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.
(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Actuarial Methods and Assumptions Used for Funding Valuations
All actuarial assumptions that determined the total pension liability as of December 31, 2024 were based on the results of an actuarial experience study for TCDRS. The assumptions were reviewed at the December 2021 TCDRS Board of Trustees meeting and revised demographic assumptions were adopted as shown. These revisions included changes to the merit salary, mortality retirement and termination assumptions. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Actuarial Cost Method – Entry age, level percent of pay

Plan Funding – The change in the unfunded actuarial accrued liability (UAAL) attributable to each year is amortized over a a closed 20-year period as a level percent of payroll, except for the following situations:

1) The UAAL attributable to benefit increases in a given year is amortized over a closed 15-year period as a level percent of covered payroll.
2) If there is an overfunded actuarial accrued liability, the amortization period is an open 30-year period.
3) If a UAAL decrease occurs due to extra employer contribution that decrease is offset against the oldest exiting actuarial loss layer.

Economic Assumptions

TCDRS system wide assumptions

Real Rate of Return	5.00%
Inflation	2.50%
Long Term Investment Return	7.50%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer. The annual salary increases rates assumed for individual members vary by length of service and by entry age group. The annual rates consist of a general wage inflation component of 3.0% (made up of 2.5% inflation and 0.50% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Employer specific economic assumptions

Growth in membership	0.00%
Payroll growth for funding calculations	1.00%

Demographic assumptions

Mortality rates for active members, retirees and beneficiaries were based on the following:

Depositing members	135% of the Pub-2010 General Employees Amount – Weighted Mortality Tables for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non- depositing members	135% of the Pub-2010 General Employees Amount – Weighted Mortality Tables for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of the Pub-2010 General Employees Amount – Weighted Mortality Tables for males and 125% Pub-2010 General Employees Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Schedule of Changes in Net Pension Liability (Asset)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balances, 12/31/23	$ 11,304,320	$ 11,497,491	$ (193,171)
Changes for the year:			
Service cost	370,559	-	370,559
Interest on total pension liability	864,424	-	864,424
Effect of plan changes	-	-	-
Effect of economic/demographic gains / losses	126,978	-	126,978
Effect of assumptions changes or inputs		-	-
Refund of contributions	(15,572)	(15,572)	-
Benefit payments	(597,399)	(597,399)	-
Administrative expenses	-	(6,817)	6,817
Member contributions	-	185,411	(185,411)
Net investment income	-	1,169,169	(1,169,169)
Employer contributions	-	295,333	(295,333)
Other	-	(3,874)	3,874
Balances, 12/31/24	$ 12,053,310	$ 12,523,742	$ (470,432)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) No plan changes valued.
(3) Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the Port, calculated using the discount rate of 7.60%, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 13,307,406	$ 12,053,310	$ 10,962,364
Fiduciary net position	12,523,742	12,523,742	12,523,742
Net pension liability (asset)	$ 783,664	$ (470,432)	$ (1,561,378)

Deferred Inflows/Outflows

	Deferred Inflows of Resources	Deferred Outflows of Resources
Investment (gains) or losses	$ 717,597	$ 596,770
Changes of assumptions	10,240	-
Economic / demographic (gains) or losses	-	266,114
Contributions made subsequent to measurement date	-	202,969
	$ 727,837	**$ 1,065,853**

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized as follows:

Year ended December 31:	2025	$ (14,791)
	2026	246,331
	2027	(61,748)
	2028	(34,745)
	2029	0
	Thereafter	0

Additional deferred inflows and outflows of resources may impact these numbers.

2) Employee Section 457 Plan

The Port offers employees a deferred compensation plan through Mission Square Retirement (formerly known as the International City Management Association Retirement Corporation (ICMA-RC)), created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of salary until future years, to provide retirement income. This plan in funded entirely by employee contributions. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under this plan are maintained under a trust agreement with Mission Square Retirement for the exclusive benefit of the eligible employees and their beneficiaries. No part of the corpus or income of the trust shall revert to the Port or be used for or diverted to purposes other than the exclusive benefit of participants and their beneficiaries. Consequently, the assets held by the custodian are not included in the financial statements of the Port. The employee contribution to this plan cannot exceed $23,000 for 2024 and $23,500 for 2025. Employees over 50 years of age may contribute an additional $7,500 in 2025.

The Port has no liability for losses under the plan but does have a duty of due care that would be required of an ordinary investor. Investments in the plan are approximately $3,435,501 as of July 31, 2025.

H. Long Term Debt

In an election held in May 2016, the Port was authorized by its voters to issue general obligation bonds in the aggregate principal amount of $89,950,000. On April 18, 2017, the Port issued $29,655,000 of Unlimited Tax Improvement Bonds, Series 2017. On December 12, 2017, the Port issued $55,555,000 of

Unlimited Tax Improvement Bonds, Series 2017A. The proceeds from the sale of the bonds are to be used to finance the costs of projects to acquire, purchase, construct, improve or develop wharves, docks, warehouses, other storage facilities, terminal facilities and other facilities or aids to navigation consistent with or necessary to the operation or development of ports or waterways within the Port. The primary projects were the development of Berths 5 and 6.

Authorized and unissued general obligation bonds at July 31, 2025 are as follows:

Amount Authorized, May 2016 election	$ 89,950,000
Issued:	
Series 2017	(29,800,000)
Series 2017A	(56,692,509)
Authorized and unissued	$ 3,457,491

The following is a summary of bonds payable and the changes therein, which comprise the Port's long term liabilities for the year ended July 31, 2025:

	Beginning August 1, 2024	Additions	Reductions	Ending July 31, 2025	Current Portion
General Obligation Debt					
Unlimited tax refunding bonds,					
Series 2016A	$ 910,000	$ -	$ 445,000	$ 465,000	$ 465,000
Interest 4.0%, Matures 2026					
Plus Bond Premium	30,226	-	17,028	13,198	13,198
Unlimited tax refunding bonds,					
Series 2016B	5,420,000	-	2,675,000	2,745,000	2,745,000
Interest 2-3.5%, Matures 2026					
Plus Bond Premium	33,964	-	19,196	14,768	14,768
Unlimited tax improvement bonds,					
Series 2017	26,525,000	-	100,000	26,425,000	100,000
Interest 3.5-5%, Matures 2047					
Plus Bond Premium	501,912	-	33,447	468,465	33,321
Unlimited tax improvement bonds,					
Series 2017A	54,555,000	-	200,000	54,355,000	200,000
Interest 4-5%, Matures 2047					
Plus Bond Premium	2,364,899	-	197,075	2,167,824	188,506
	$ 90,341,001	$ -	$ 3,686,746	$ 86,654,255	$ 3,759,793

The annual debt service requirements as of July 31, 2025 are:

Years Ending	Principal	Interest	Total
2026	$ 3,510,000	$ 3,483,476	$ 6,993,476
2027	2,405,000	3,353,800	5,758,800
2028	2,525,000	3,233,550	5,758,550
2029	2,650,000	3,107,300	5,757,300
2030	2,785,000	2,974,800	5,759,800
2031-2035	15,975,000	12,817,920	28,792,920
2036-2040	19,540,000	9,256,444	28,796,444
2041-2045	23,730,000	5,063,950	28,793,950
2046-2047	10,870,000	649,788	11,519,788
Total	**$ 83,990,000**	**$ 43,941,028**	**$ 127,931,028**

Arbitrage Rebate Liability

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local government issued bonds after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. As of July 31, 2025, there are no estimated liabilities for arbitrage rebate on governmental debt. The debt service restricted funds are available to liquidate an arbitrage liability.

I. Construction Commitments

The Port had active construction projects as of July 31, 2025:

Project	**Contract Amount**	**Outstanding Commitment at 7/31/25**
Lot 8 Improvements	$ 4,225,255	$ 2,722,557
Berth 5 Backland	5,103,938	3,055,692

J. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed expenditures or claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Port expects such amounts, if any, to be immaterial.

Litigation and Claims

The Port is involved in lawsuits and other claims in the ordinary course of operations; it cannot predict the results of such matters. However, based on consultation with outside counsel, the Port generally believes the outcome of such matters will not materially affect its financial position.

K. Property Tax Abatements

The Port negotiates property tax abatement agreements on an individual basis to increase the tax base by encouraging the development, expansion, modernization or other improvement of real property within the Port. The Board of Commissioners of the Port elected to adopt the Jefferson County Amended Uniform

Tax Abatement Policy. The policy applies to eligible projects (i) lying and being situated on real property within the Port, and (ii) which, in the discretion of the Board of Commissioners of the Port, taking into consideration the Standards for Tax Abatement as set forth in its policy, provides for job creation, use of local labor, and use of local vendors and suppliers, with "local" being defined as residing within Jefferson County and to the extent feasible within the boundaries of the Port.

Each agreement is authorized by the Texas Property Redevelopment and Tax Abatement Act, Texas Tax Code Chapter 312, as amended, and by resolution of the Port Board of Commissioners. The Port had six tax abatement agreements at July 31, 2025, with the following impact for the current fiscal year:

Company, Project	% of taxes abated	amount of taxes abated	abatement end date
Diamond Green Diesel LLC Renewable Diesel Plant	100%	$ 754,003	12/31/2031
Premcor Refining Group d/b/a/ Valero Port Arthur Refinery Coker Project	100%	$ 705,001	12/31/2030
GT Logistics LLC Renewable Fuels Facility	80%	$169,847	12/31/2030
Cormorant Clean Energy Ammonia Facility	0%	$0	12/31/2030
GT Logistics Blue Ammonia Facility	80%	$0	12/31/2036
Crescent Bayou LLC Hydrogen and Ammonia Facility	0%	$0	12/31/2042

L. Facilities Financing Bonds

The Port is authorized under the Clean Air Financing Act to issue revenue bonds to finance the acquisition, construction and improvement of facilities designed to reduce or eliminate air pollution and to lease or sell such facilities. The Port has issued revenue bonds in the original amount of $987,925,000 all of which is outstanding at year end. The bonds were sold under installment sales agreements which state that the companies shall pay for projects in an amount equal to the aggregate principal amount of the bonds, and as interest on the purchase price of the projects an amount equal to the aggregate interest and premium, if any, on the bonds, all of which shall be payable at the times, and in the manner and amounts, and according to the other terms set forth in the bond indentures.

The trust indentures state that the bonds and coupons are special obligations of the Port and are payable solely out of revenue derived from the sale of the projects. The bonds shall never constitute an indebtedness or pledge of the credit of the Port within the meaning of any constitutional or statutory provision, and shall not be general obligations of the Port or the State and shall never be paid in whole or in part from any funds raised by taxation or any revenues or other funds of the Port except those derived by it in connection with the sale of the projects. Detail of these bonds are presented in the Supplementary Schedules, page 45.

M. Port Arthur Navigation District Industrial Development Corporation (PANDIDC)

On August 5, 1981, the Port authorized the establishment and incorporation of the Port Arthur Navigation District Industrial Development Corporation (PANDIDC) under the laws of the State of Texas. The purpose of the corporation is the financing of industrial development projects pursuant to the provisions of the Development Corporation Act of 1979. The Port and the PANDIDC acted as issuers of facilities financing revenue bonds in the original amount of $667,265,000, all of which is outstanding at year end. As required as the trust indentures, special trust funds for the construction of the facilities and the payment of bond principal and interest have been established. The trust indentures state that the bonds and coupons are limited obligations of the issuer and are payable by the issuer solely out of the revenues derived from or in connection with the agreement. The Bonds shall never be paid out of any other funds of the PANDIDC except such revenues from and in connection with the agreement. Detail of these bonds are presented in the Supplementary Schedules, page 45.

N. Major Customers and Concentration Risk

The Port's operating revenue and property tax revenue are subject to risk due to concentration in the petro-chemical industry. The top ten taxpayers to the Port are petro-chemical companies and represent 53.85% of the district's total taxable assessed value. This economic sector also dominates Port operating revenue. The Port continues to diversify revenue sources by expanding other market shares in the areas of cargo including military cargo, liner board, aluminum and wood pellets.

O. Subsequent Events

On August 7, 2025, the Board of Commissioners ordered an election to seek authorization for a General Obligation Bond in the amount of $92 million. The election was held on November 4, 2025, and the bond proposition failed.

Required Supplementary Information

Port of Port Arthur Navigation District
of Jefferson County, Texas

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County and District Retirement System
Last Ten Calendar Years

	2024	2023	2022	2021
Total Pension Liability				
Service Cost	$ 370,559	$ 349,507	$ 315,425	$ 319,824
Interest on Total Pension Liability	864,424	800,780	739,872	694,031
Effect of Plan Changes	-	-	141,486	-
Effect of Assumption Changes / Inputs	-	-	-	(51,196)
Effect of Economic / Demographic (Gains) / Losses	126,978	220,243	48,469	65,000
Benefit Payments / Contribution Refunds	(612,971)	(497,450)	(459,076)	(382,501)
Net Change in Total Pension Liability	748,990	873,080	786,176	645,158
Total Pension Liability, Beginning	11,304,320	10,431,240	9,645,064	8,999,906
Total Pension Liability, Ending	$ 12,053,310	$ 11,304,320	$ 10,431,240	$ 9,645,064
Fiduciary Net Position				
Employer Contributions	$ 295,333	$ 265,598	$ 231,887	$ 162,584
Member Contributions	185,411	167,494	147,163	138,453
Investment Income Net of Investment Expenses	1,169,169	1,144,766	(647,242)	2,017,420
Benefit Payments/Contribution Refunds	(612,971)	(497,450)	(459,076)	(382,501)
Administrative Expenses	(6,817)	(6,004)	(6,108)	(6,036)
Other	(3,874)	959	(1,942)	233
Net Change in Fiduciary Net Position	1,026,251	1,075,363	(735,318)	1,930,153
Fiduciary Net Position, Beginning	11,497,491	10,422,128	11,157,446	9,227,293
Fiduciary Net Position, Ending	$ 12,523,742	$ 11,497,491	$ 10,422,128	$ 11,157,446
Net Pension Liability / (Asset)	$ (470,432)	$ (193,171)	$ 9,112	$ (1,512,382)
Fiduciary Net Position as a Percentage of Total Pension Liability	103.90%	101.71%	99.91%	115.68%
Annual Covered Payroll	$ 2,648,723	$ 2,392,772	$ 2,102,326	$ 1,977,907
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-17.76%	-8.07%	0.43%	-76.46%

2020	2019	2018	2017	2016	2015
$ 276,739	$ 264,072	$ 148,157	$ 193,556	$ 196,280	$ 168,010
647,352	596,056	435,450	403,398	359,887	318,197
-	47,323	1,555,989	-	-	(12,943)
433,063	-	-	55,897	-	38,774
95,294	63,686	65,630	2,548	(3,800)	95,353
(329,186)	(371,041)	(306,920)	(125,212)	(100,300)	(87,755)
1,123,262	600,096	1,898,306	530,187	452,067	519,636
7,876,644	7,276,548	5,378,242	4,848,055	4,395,988	3,876,352
$ 8,999,906	$ 7,876,644	$ 7,276,548	$ 5,378,242	$ 4,848,055	$ 4,395,988
$ 161,779	$ 184,847	$ 1,265,371	$ 11,913	$ 12,172	$ 25,612
138,442	129,172	114,466	122,636	125,299	119,528
867,279	1,193,375	(104,859)	798,316	373,936	(62,968)
(329,185)	(371,040)	(306,920)	(125,212)	(100,299)	(87,755)
(6,752)	(6,398)	(5,837)	(4,171)	(4,064)	(3,638)
(26)	(781)	32,596	86	6,868	5,071
831,537	1,129,175	994,817	803,568	413,912	(4,150)
8,395,756	7,266,581	6,271,764	5,468,196	5,054,284	5,058,434
$ 9,227,293	$ 8,395,756	$ 7,266,581	$ 6,271,764	$ 5,468,196	$ 5,054,284
$ (227,387)	$ (519,112)	$ 9,967	$ (893,522)	$ (620,141)	$ (658,296)
102.53%	106.59%	99.86%	116.61%	112.79%	114.97%
$ 1,977,739	$ 1,845,319	$ 1,635,235	$ 1,751,943	$ 1,789,990	$ 1,707,540
-11.50%	-28.13%	0.61%	-51.00%	-34.64%	-38.55%

Port of Port Arthur Navigation District
of Jefferson County, Texas

Required Supplementary Information (Unaudited)
Schedule of Employer Contributions
Texas County and District Retirement System
Last Ten Years

Fiscal year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2024	$ 274,565	$ 274,565	-	$ 2,467,347	11.13%
2023	251,245	251,245	-	2,269,685	11.07%
2022	191,299	191,299	-	1,945,482	9.83%
2021	163,491	163,491	-	1,993,053	8.20%
2020	150,572	203,110	(52,538)	1,940,300	10.47%
2019	81,519	1,331,519	(1,250,000)	1,786,833	74.52%
2018	13,600	13,600	-	1,660,727	0.82%
2017	11,337	11,337	-	1,667,173	0.68%
2016	13,562	17,179	(3,617)	1,747,336	0.98%
2015	14,667	25,057	(10,390)	1,670,484	1.50%

Notes to Schedule for current year:

Valuation Date 12/31/2023

Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are recorded.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16.7 years (based on contribution rate calculated in 12/31/22 valuation)
Asset valuation method	5 year smoothed fair value
Inflation	2.50%
Salary increases	4.7% average over career including inflation
Investment rate of return	7.5%, net of administrative and investment expenses, including inflation
Retirement age	Members eligible are assumed to commence receiving benefits based on age. The average age of service retirement is 61.
Mortality (both projected with 100% of the MP-2021 Ultimate Scale after 2010)	135% of the Pub-2010 General Retirees Table for males 120% of the Pub-2010 General Retirees Table for females
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions reflected 2019: New inflation, mortality and other assumptions reflected 2022: New investment return and inflation assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that a 40% CPI COLA was adopted 2016: No changes in plan provisions were reflected in the schedule 2017: New Annuity Purchase Rates were relfected for benefits earned after 2017 2019: Employer contributions reflect that the current service marching rate was increased to 200% 2020 and 2024: Employer contributions reflect that a 40% CPI COLA was adopted

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the notes to the schedule

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*]

**THE PORT OF PORT ARTHUR NAVIGATION DISTRICT
OF JEFFERSON COUNTY, TEXAS
PORT REVENUE BONDS,
SERIES 2026 (AMT)
IN THE AGGREGATE PRINCIPAL AMOUNT OF $30,000,000**

AS BOND COUNSEL FOR THE PORT OF PORT ARTHUR NAVIGATION DISTRICT OF JEFFERSON COUNTY, TEXAS (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing subject to redemption on the dates specified in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including (i) the resolution (the "Resolution") of the Issuer authorizing the issuance of the Bonds adopted by the Board of Port Commissioners of the Issuer on June 26, 2026 and (ii) one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding limited, special obligations of the Issuer in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; and that the Bonds, together with any "Additional Parity Obligations" (as such term is defined in the Resolution), are payable from and equally and ratably secured solely by a first lien on and pledge of the Gross Revenues (as such term is defined in the Resolution), pursuant to the provisions of the Resolution. The registered owners thereof shall never have the right to demand payment of the principal or interest on the Parity Obligations (as such term is defined in the Resolution) from any funds raised or to be raised through taxation by the District.

SUBJECT TO SATISFYING the terms and conditions stated in the Resolution, the Issuer has reserved the right to issue Additional Parity Obligations payable from and equally and ratably secured by a first lien on and pledge of the Gross Revenues. The Resolution also authorizes the Issuer to issue obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues (as such term is defined in the Resolution), subordinate and inferior in rank and dignity to the lien on and pledge of the Gross Revenues. In addition, the Issuer has reserved the right, subject to the restrictions stated in the Resolution, to amend the Resolution.

IT IS OUR FURTHER OPINION, except as discussed below, that the interest on the Bonds will be excludable from the gross income of the owners of the Bonds for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. The exceptions are as follows:

(1) interest on any Bond will be includable in the gross income of the owner thereof during any period that such Bond is owned by either a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" of such user, as provided in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code");

(2) interest on the Bonds will be included as an item of tax preference in determining the alternative minimum taxable income of the holder under Section 57(a)(5) of the Code.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the sufficiency of the Gross Revenues of the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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