

**SHORT-TERM OPTION FOR POTABLE WATER RESERVATION AND
DIVERSION CONTRACT**

THIS SHORT-TERM OPTION FOR POTABLE WATER RESERVATION AND DIVERSION CONTRACT (“**Option Contract**”) is made and entered into pursuant to Texas Special Districts Local Laws Code, Chapter 8511 (collectively the “**NRA Act**”) by and between the NUECES RIVER AUTHORITY (“**NRA**”), a conservation and reclamation district created pursuant to Article 16, Section 59 of the Texas Constitution, and the City of Kyle, Texas (“**Customer**”). In this Option Contract, NRA and Customer are sometimes individually referred to as a “**Party**” and collectively referred to as the “**Parties**.” The effective date (“**Effective Date**”) of this Option Contract shall be the date it is last signed by a Party.

RECITALS

WHEREAS, pursuant to the NRA Act, a purpose of NRA is the conservation and development of the State of Texas’ (the “**State’s**”) natural resources inside the Nueces River Basin, including the control, storage, preservation, and distribution of the State’s water for municipal and industrial uses;

WHEREAS, NRA intends to enter into a formal agreement with the Port of Corpus Christi Authority (the “**Port**”) whereby the Port will lease property and permit use of the necessary regulatory permits to NRA to enable NRA to construct, own, and operate a seawater desalination plant on Harbor Island to enhance water supply and water resource security in the region;

WHEREAS, by virtue of its agreement with the Port, NRA will have license to certain water rights held by the Port authorizing NRA to divert seawater for desalination;

WHEREAS, Customer desires eventually—at a time subsequent to this Option Contract—to contract with NRA for the reservation and/or purchase and diversion of potable water resulting from NRA’s intake and treatment of seawater at its Harbor Island desalination plant;

WHEREAS, Customer desires to first acquire an option to contract with NRA for the future reservation and/or purchase and diversion of up to 11,201.44 acre-feet per year of potable water for Customer’s future municipal or industrial use.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NRA grants Customer a one-year option, which may be extended subject to the terms and conditions of this Option Contract, to contract for up to 11,201.44 acre-feet per year of potable water resulting from NRA’s intake and treatment of seawater at its Harbor Island desalination plant for Customer’s future municipal or industrial use, and Customer agrees to pay NRA a one-time Option Fee for such right, upon terms and conditions hereinafter set forth, to-wit:

ARTICLE 1.

1.1 Customer specifically acknowledges that this Option Contract does not grant the Customer any right or option to purchase any portion of any certificate of adjudication or other water right owned by NRA or the Port now or into the future or to reserve and/or divert any water subject to the same and does not provide any right or option to purchase capacity in the desalination plant or any future conveyance infrastructure. Rather, this Option Contract involves only the option to contract with NRA for reservation and purchase of potable water supply. Terms and conditions relating to the reservation and/or purchase and diversion of potable water, including but not limited to transportation

at Customer's sole cost and expense, will be negotiated in a separate water supply agreement.

1.2 Customer specifically acknowledges that NRA and/or the Port reserve the right to seek amendment by the applicable regulatory authority to any certificate of adjudication or other water right held by NRA and/or the Port as deemed necessary by NRA and/or the Port.

1.3 Customer specifically acknowledges that the future availability and timing of potable water for reservation and/or purchase and diversion from the Harbor Island desalination plant is not guaranteed and is wholly dependent upon factors outside of NRA's dominion and control, including but not limited to regulatory permitting, entry of agreements with the Port, and the timely and competent performance of third-party contracted work.

1.4 By entering into this Option Contract, Customer warrants that it has exercised its due diligence in determining the viability and legality of obtaining future water service from NRA from the proposed Harbor Island desalination plant, including, but not limited to due diligence in determining whether Customer is located in the CCN of any other entity obligated to provide water service. Customer agrees, warrants, and represents that if it has determined that there are CCN, or any other obstacles to the receipt of water from NRA, it is solely Customer's responsibility to address and remove such obstacles.

1.5 NRA hereby grants Customer an option to contract for the reservation and/or purchase and diversion of up to 11,201.44 acre-feet per year (the "**Option Quantity**") of potable water resulting from NRA's intake and treatment of seawater at its Harbor Island desalination plant for Customer's municipal or industrial use for a period of one (1) year commencing on the Effective Date, and terminating one (1) year from the

Effective Date (the "Term") unless this Contract is terminated or renewed on or before such date pursuant to the terms herein.

1.6 The Parties agree that the Option Quantity shall represent the amount of potable water Customer shall be entitled to subsequently contract with NRA to reserve and/or purchase and divert from the Harbor Island Desalination plant if Customer exercises the option authorized herein, and that the Option Quantity stated herein may be increased but may not be decreased in any subsequent renewal or extension of this Option Contract without mutual agreement of both parties.

1.7 The Parties agree that one of the following must occur on or before the end of the Term stated herein:

(1) This Option Contract may be renewed and extended for an additional one-year term upon the express written agreement of the Parties and conditioned upon the payment of an additional Option Fee, as defined in Article 2, at the then-prevailing rate at the time of the renewal; or

(2) Customer may exercise its option by entering into a water supply contract with NRA that identifies reservation and/or diversion quantities at such rates as may be adopted in future.

The parties agree that if neither of the events described above occur on or before the end of the Term stated herein, this Option Contract shall automatically terminate as of the next day immediately following the end of the Term.

ARTICLE 2.

2.1 For the right to preserve the option to subsequently reserve and/or purchase and divert up to 11,201.44 acre-feet per year potable water as provided by this Option Contract, Customer unconditionally agrees to pay NRA the sum of \$24.44 per acre-foot, for the first of two payments of \$273,763 (the "Option Fee"), to preserve Customer's option. The total sum of the first payment will be paid to NRA on or before October 31,

2025, and the Second Payment of \$273,763 will be paid on or before October 31, 2026. These two Option Fees paid by Customer shall be non-refundable when made and shall not apply against the purchase price of any water purchased by Customer in the future.

2.2 Customer specifically acknowledges that payments made pursuant to the terms of this Option Contract are for the purpose of securing Customer's option for future reservation and/or purchase and diversion of potable water from the Harbor Island desalination plant, and NRA has the right to use such payments or portions thereof to finance the Harbor Island desalination plant project, at the sole discretion of NRA.

ARTICLE 3.

3.1 The execution of this Option Contract has been duly authorized by NRA and Customer pursuant to proper notices and procedures and each Party warrants and represents to the other that it is duly authorized to execute this Option Contract upon the terms set forth herein.

3.2 This Option Contract may not be assigned by Customer without NRA's agreement to same in writing.

3.3 The Parties agree that this Option Contract shall not be construed in favor or against either Party on the basis that the Party did or did not draft this Contract.

3.4 This Option Contract shall be for the sole and exclusive benefit of the Parties hereto and shall not be construed to confer any rights upon any third party.

3.5 No modifications to or rescission of this Option Contract may be made except by a written document signed by NRA's and Customer's authorized representatives.

3.6 This Option Contract is by and between NRA and Customer and is not intended, and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture, or association as between NRA and Customer nor between

Customer and any officer, employee, contractor, or representative of NRA. No joint employment is intended or created by this Option Contract for any purpose. Customer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Option Contract.

3.7 Any notice, request or other communication under this Option Contract shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

- (a) The date of notice by electronic mail, which is confirmed promptly in writing;
- (b) Three business days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail;
- (c) The date of actual receipt thereof by such other party if not given pursuant to (a) or (b) above.

The address for notice for each of the Parties shall be as follows:

Nueces River Authority
539 South Highway 83
Uvalde, Texas 78801

City of Kyle, Texas
100 W. Center Street
Kyle, Hays County, Texas 78640

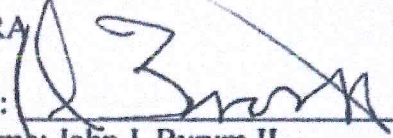
or the latest address specified by such other Party in writing.

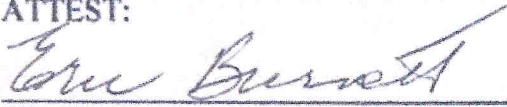
3.8 In the event that any clause or provision of this Option Contract shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions of this Option Contract.

3.9. Venue for any disputes arising out of this Contract shall be in Uvalde County, Texas.

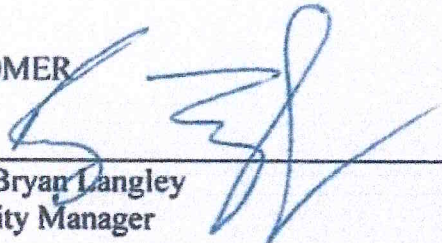
3.10 Each signatory to this Contract agrees, warrants, and represents that such person is authorized by the Party associated with such signature to execute this Contract

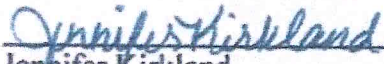
SIGNED IN DUPLICATE ORIGINALS this 30th day of October, 2025.

NRA
By: 
Name: John J. Byrum II
Title: Executive Director

ATTEST:

Eric Burnett
President, Board of Directors

(SEAL)

CUSTOMER
By: 
Name: Bryan Langley
Title: City Manager

ATTEST:

Jennifer Kirkland
City Secretary