

PURCHASE AND SALE AGREEMENT
(Groundwater Series B Credits)

This Purchase and Sale Agreement (this “Agreement”) is made and entered into by and between (i) the **CITY OF LEAGUE CITY, TEXAS**, a home-rule municipality and political subdivision of the State of Texas (“Seller”), and (ii) the **NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**, a regional water authority and political subdivision of the State of Texas (“Buyer”) as of the latest date of execution reflected on the signature pages to this Agreement (the “Effective Date”). Seller and Buyer are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

The Harris-Galveston Subsidence District (“HGSD”) issues groundwater credits, including “Series B” groundwater credits (which are different than Series A groundwater credits and over-conversion credits), that may be applied by permittees toward compliance with applicable HGSD requirements and/or to avoid disincentive fees, subject to HGSD rules, policies, and procedures.

Seller is the lawful owner of the Groundwater Series B Credits described on **Exhibit A** (the “Credits”), which Credits were issued to Seller by HGSD and are evidenced by the credit instruments or other evidence of issuance recognized by HGSD.

Buyer desires to purchase, and Seller desires to sell, the Credits on the terms and conditions set forth in this Agreement.

The Parties intend that the transfer of the Credits will be completed in accordance with applicable HGSD requirements and procedures. HGSD does not participate in the resale of credits but provides guidance regarding credit transfers.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following terms have the meanings set forth below:

“Business Day” means any day other than a Saturday, Sunday, or a day on which banks in Houston, Texas are authorized or required by law to close.

“Closing” means the consummation of the sale and purchase of the Credits pursuant to this Agreement.

“Closing Date” means August 31, 2026, or such other date as the Parties may agree in writing.

“Credits” means the Groundwater Series B Credits listed on **Exhibit A**, including the credits indicated therein as having expired.

“HGSD” means the Harris-Galveston Subsidence District.

“Purchase Price” has the meaning set forth in Section 3.1.

2. SALE AND PURCHASE OF CREDITS

2.1 Agreement to Sell and Purchase. Subject to the terms and conditions of this Agreement, at Closing Seller shall sell, assign, transfer, and convey to Buyer, and Buyer shall purchase and accept from Seller, all of Seller’s right, title, and interest in and to the Credits, free and clear of all liens, security interests, pledges, claims, and encumbrances (collectively, “Encumbrances”).

2.2 HGSD Administration; No Guarantee of Regulatory Outcome. The Parties acknowledge that HGSD administers the groundwater credit program pursuant to its rules, plans, and policies, and that the use, application, redemption, or recognition of the Credits by Buyer is subject to HGSD requirements and determinations.

3. PURCHASE PRICE; PAYMENT

3.1 Purchase Price. The Buyer agrees to pay, and the Seller agrees to accept, the purchase price of \$0.1439 per 1,000 gallons of Credits, for a total purchase price for the Credits of TWENTY-FIVE THOUSAND THIRTY-EIGHT DOLLARS (\$25,038) (the “Purchase Price”) (173,997,600 gallons of Credits x \$0.1439 ÷ 1,000 gallons).

3.2 Payment. On the Closing Date, Buyer shall pay the Purchase Price to Seller by (a) wire transfer of immediately available funds to an account designated in writing by Seller not less than two (2) Business Days prior to Closing, or (b) such other method as the Parties may mutually agree in writing.

4. CLOSING; TRANSFER OF CREDITS

4.1 Closing. The Closing shall occur remotely on the Closing Date at or prior to 3:00 p.m. Houston time by exchange of the Closing Deliverables identified in the Sections 4.2 and 4.3 below (or at such other time and place as the Parties may agree in writing).

4.2 Seller’s Closing Deliverables. At or prior to Closing, Seller shall deliver (or cause to be delivered) to Buyer the following:

1. the original credit instruments (if any) evidencing the Credits, and/or such other original documentation as HGSD requires for recognition and redemption of the Credits, as applicable;
2. a Bill of Sale and Assignment executed by Seller substantially in the form attached as **Exhibit B**;

3. such other instruments and documents as necessary to effectuate the transfer of the Credits in accordance with HGSD procedures.

4.3 Buyer's Closing Deliverables. At Closing, Buyer shall deliver (or cause to be delivered) to Seller the following:

1. the Purchase Price in accordance with Section 3.2;
2. such other instruments and documents as necessary to effectuate the transfer of the Credits in accordance with HGSD procedures.

4.5 Effectiveness of Transfer. As between the Parties, title to and ownership of the Credits shall transfer at Closing upon payment of the Purchase Price and delivery of Seller's Closing Deliverables. Notwithstanding the foregoing, the Parties acknowledge that HGSD's recognition of the transfer (if applicable) may require processing time and/or additional documentation.

5. REPRESENTATIONS AND WARRANTIES

5.1 Seller Representations and Warranties. Seller represents and warrants to Buyer as of the Effective Date and as of the Closing Date as follows:

1. *Organization; Authority*. Seller is a home-rule municipality and political subdivision of the State of Texas, duly organized and existing under applicable law, and has full power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby.
2. *Due Authorization*. The execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of Seller's governing body.
3. *Enforceability*. This Agreement constitutes a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, and other laws affecting creditors' rights generally and to general principles of equity.
4. *No Litigation*. There is no claim, action, suit, proceeding, arbitration, or investigation pending or threatened that would reasonably be expected to impair Seller's ability to perform its obligations under this Agreement or adversely affect Seller's title to the Credits.
5. *Title; No Encumbrances*. Seller is the lawful owner of the Credits and has good and marketable title to the Credits, free and clear of all Encumbrances, and has not sold, assigned, pledged, or otherwise transferred any interest in the Credits to any other person.
6. *Validity*. The Credits are valid and have not been redeemed as of the Effective Date.

5.2 Buyer Representations and Warranties. Buyer represents and warrants to Seller as of the Effective Date and as of the Closing Date as follows:

1. *Organization; Authority.* Buyer is a regional water authority and political subdivision of the State of Texas, duly organized and existing under applicable law, and has full power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby.
2. *Due Authorization.* The execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of Buyer's governing body.
3. *Enforceability.* This Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to applicable bankruptcy, insolvency, and other laws affecting creditors' rights generally and to general principles of equity.
4. *No Litigation.* There is no claim, action, suit, proceeding, arbitration, or investigation pending or threatened that would reasonably be expected to impair Buyer's ability to perform its obligations under this Agreement.

6. COVENANTS

6.1 Further Assurances. Each Party shall execute and deliver such additional documents and take such further actions as may be necessary or desirable to carry out the intent of this Agreement, including cooperation with HGSD procedures relating to the transfer, recognition, and/or redemption of the Credits.

6.2 Public Information. The Parties acknowledge that each Party is subject to the Texas Public Information Act and other applicable laws regarding public records. Nothing in this Agreement shall be construed to require a Party to withhold information from disclosure if such disclosure is required by law.

8. FEES; EXPENSES

8.1 Expenses. Except as otherwise expressly provided herein, each Party shall bear its own costs and expenses (including attorneys' fees) incurred in connection with the negotiation, execution, and performance of this Agreement and the transactions contemplated hereby.

8.2 HGSD Fees; Administrative Charges. Buyer shall be solely responsible for, and shall pay, any and all fees, charges, costs, and expenses imposed by HGSD (if any) in connection with this Agreement, including those relating to the recognition, application, registration, or processing of the Credits.

9. TERMINATION

9.1 Termination Rights. This Agreement may be terminated prior to Closing: (a) by mutual written agreement of the Parties; (b) by either Party if the Closing has not occurred on or before August 31, 2026, provided that the terminating Party is not then in material breach of this Agreement; or (c) by a non-breaching Party upon written notice to the other Party if the other Party

materially breaches this Agreement and fails to cure such breach (if curable) within ten (10) Business Days after receipt of notice thereof.

9.2 Effect of Termination. Upon termination of this Agreement in accordance with Section 9.1, this Agreement shall be of no further force or effect. Termination shall not relieve either Party from liability for its fraud, willful misconduct, or prior breach of this Agreement.

10. MISCELLANEOUS

10.1 Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflict-of-laws principles. Venue for any action arising out of or relating to this Agreement shall lie exclusively in the state courts of Harris County, Texas (or, if exclusive jurisdiction is in federal court, in the federal courts located in Houston, Texas), subject to applicable sovereign immunity and other legal limitations.

10.2 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (a) delivered by hand, (b) sent by nationally recognized overnight courier, or (c) sent by certified mail, return receipt requested, postage prepaid, in each case to the addresses set forth below (or to such other address as a Party may designate by notice):

If to Seller:

City of League City, Texas
Attn: City Manager
Address: 300 W. Walker St.
League City, Texas 77573
Email: john.baumgartner@leaguecitytx.gov

If to Buyer:

North Harris County Regional Water Authority
Attn: General Manager
Address: 3648 Cypress Creek Parkway, Suite 110
Houston, Texas 77068
Email: jchang@nhcrwa.com

10.3 Assignment. Neither Party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other Party.

10.4 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns, and nothing herein, express, or implied, shall give or be construed to give any person other than the Parties any legal or equitable rights hereunder.

10.5 Entire Agreement; Amendments. This Agreement (including the Exhibits) constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, whether written or oral. This Agreement may be amended only by a written instrument executed by both Parties.

10.6 Counterparts; Electronic Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute the same instrument. Signatures delivered by PDF or other electronic means shall be deemed effective for all purposes.

10.7 Severability. If any provision of this Agreement is held invalid or unenforceable, the remaining provisions shall remain in full force and effect and shall be construed to best effectuate the intent of the Parties.

10.8 Governmental Immunity. No provision of this Agreement shall be construed as a waiver of any Party's governmental immunity, sovereign immunity, or other defenses available under Texas law, all of which are expressly preserved.

[signature pages follow]

APPROVED the ____ day of _____ 2026.

CITY OF LEAGUE CITY, TEXAS

John Baumgartner
City Manager

ATTEST:

Diana Stapp
City Secretary

APPROVED AS TO FORM:

Michelle L. Villarreal
City Attorney

APPROVED the ____ day of _____ 2026.

NORTH HARRIS COUNTY REGIONAL WATER
AUTHORITY

Jun Chang
General Manager

(SEAL)

EXHIBIT A
List of Groundwater Series B Credits

Certificate Number	Issued (millions)	Remaining (millions)	Expiration Date
GWB2011-105166	6.8040	1.3608	2/1/2022
GWB2011-105301	12.1800	2.4360	5/1/2022
GWB2011-105342	9.5760	1.9152	5/1/2022
GWB2011-105762	8.4840	3.3936	4/1/2023
GWB2011-105874	4.4520	1.7808	6/1/2023
GWB2011-105875	8.3160	3.3264	6/1/2023
GWB2011-106318	3.6120	2.1672	4/16/2024
GWB2011-106319	9.2400	5.5440	4/16/2024
GWB2011-106320	8.7360	5.2416	4/16/2024
GWB2011-106937	8.7360	6.9888	5/1/2025
GWB2011-106948	10.5840	8.4672	5/1/2025
GWB2011-106961	5.8800	4.7040	5/2/2025
GWB2011-107192	6.4680	5.1744	10/31/2025
GWB2011-107193	11.5920	9.2736	10/31/2025
GWB2011-107625	10.0800	10.0800	5/17/2026
GWB2011-107804	14.3640	14.3640	10/17/2026
GWB2011-108109	6.6360	6.6360	3/27/2027
GWB2011-108724	6.9720	6.9720	3/25/2028
GWB2011-108725	13.1880	13.1880	3/25/2028
GWB2011-109045	7.2240	7.2240	1/5/2029
GWB2011-109046	1.3440	1.3440	1/5/2029
GWB2011-109171	9.9120	9.9120	2/20/2029
GWB2011-109361	0.9240	0.9240	4/13/2029
GWB2011-109769	5.7120	5.7120	2/3/2030
GWB2011-109770	4.2000	4.2000	2/3/2030
GWB2011-109771	4.2000	4.2000	2/3/2030
GWB2011-110367	2.1000	2.1000	1/25/2031
GWB2011-110370	4.2000	4.2000	1/25/2031
GWB2011-110371	0.6720	0.6720	1/25/2031
GWB2011-110373	8.4000	8.4000	1/25/2031
GWB2011-110374	6.4680	6.4680	1/25/2031
GWB2012-111123	5.6280	5.6280	2/9/2032
	226.884	173.9976	

EXHIBIT B
Bill of Sale and Assignment
(Series B Groundwater Credits)

This Bill of Sale and Assignment (this “Assignment”) is executed and delivered as of _____, 20____, by the CITY OF LEAGUE CITY, TEXAS (“Assignor”), in favor of the NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (“Assignee”), pursuant to that certain Purchase and Sale Agreement dated _____, 20____ (the “Agreement”). Capitalized terms used but not defined herein have the meanings given in the Agreement.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, assigns, transfers, and conveys to Assignee all of Assignor’s right, title, and interest in and to the Credits identified on **Exhibit A** to the Agreement, together with all rights appurtenant thereto, free and clear of all Encumbrances.

CITY OF LEAGUE CITY, TEXAS

John Baumgartner
City Manager

ATTEST:

Diana Stapp
City Secretary

APPROVED AS TO FORM:

Michelle L. Villarreal
City Attorney