



18400 Von Karman Avenue
Suite 800
Irvine, CA 92612
949.760.1121 Phone
949.720.0182 Fax

File Number: H5318-0002
949.224.6439 Direct
dwance@buchalter.com

November 22, 2024

**VIA U.S. FIRST CLASS MAIL AND
VIA E-MAIL (SKENNEDY@BMKLAWPLC.COM)**

Steven M. Kennedy
BRUNICK, McELHANEY & KENNEDY
1839 Commercenter West
San Bernardino, CA 92408

Re: License for Discharge of Recycled Water

Dear Mr. Kennedy:

On behalf of Hesperia Venture I, LLC (“HVI”), we would like to thank you for your email offering a meeting with the full board of Crestline Sanitation District (“CSD”) to discuss the terms of a license between the parties in accordance with the 2017 Settlement and General Release Agreement (“2017 Settlement Agreement”) regarding CSD’s discharges onto HVI’s property. Although we initially proposed a more focused meeting, we are willing to meet with the full board in the near future.

Regarding CSD’s proposed license, we cannot accept it as drafted, as its terms significantly exceed the scope of the 2017 Settlement Agreement. Specifically, we are concerned by CSD’s proposal to shift most costs and obligations related to CSD’s discharges onto HVI. For example, the draft license requires HVI to undertake and pay to:

- Maintain and upkeep the property, the diversion channels, slide gates, and appurtenances;
- Establish, install, and maintain plant materials to reduce nitrate concentrations;
- Undertake weed abatement;
- Manage and operate the property to maintain a uniform plant palette and reduce fire risk;
- Manage and operate the property to prevent ponding; and,
- Perform annual vegetation reduction.

buchalter.com

Arizona
California
Colorado
Georgia
Oregon
Tennessee
Utah
Washington

Steven M. Kennedy
November 22, 2024
Page 2

None of these obligations were included in the 2017 Settlement Agreement, and HVI cannot agree to these costs and responsibilities at this time. While HVI originally considered shouldering certain costs in conjunction with creating a mitigation bank on the property, the proposed terms far exceed those considerations. Moreover, HVI cannot commit to perpetual maintenance or negotiate these terms without first determining the feasibility of establishing a robust mitigation bank.

Since the 2017 Settlement Agreement, HVI has made good-faith efforts to work with CSD on resolving two key issues critical to the mitigation bank: (1) the durational terms of the license, and (2) a defined amount of yearly discharge. Despite our efforts, progress has stalled, leaving HVI in limbo and limiting our ability to advance discussions with the relevant agencies.

A mitigation bank would benefit CSD, the environment, and the community by providing long-term discharge solutions while shifting some costs associated with the discharges from rate payers to HVI. However, without resolution of these issues, HVI will be unable to pursue a mitigation bank.

Even before the 2017 Settlement Agreement, HVI communicated our intent to develop a robust mitigation bank. In the meantime, HVI has shouldered many costs under the year-to-year license without obligation to do so. However, without a mitigation bank, HVI cannot continue to bear these costs, and CSD would need to assume responsibility under a new license agreement or the current year-to-year license.

As required by the 2017 Settlement Agreement, HVI remains prepared to cooperate, as necessary, in assigning the Discharge Permit issued to us by the Lahontan Region of the State Water Quality Control Board for CSD's discharge of recycled water onto HVI's property. Please let us know what paperwork or assistance is required to facilitate this assignment.

At this point, we propose a meeting to address the following:

1. Whether the parties can agree on the initial terms needed for HVI to continue pursuing a mitigation bank.
2. Obligations related to CSD discharges on the property (e.g., weed abatement, access, control) to ensure HVI does not bear these costs under the current year-to-year license.

In the long term, HVI is open to creating a license based on the terms outlined in the 2017 Settlement Agreement and negotiating additional terms, including property access and funding obligations for the activities outlined in CSD's proposed license mentioned above, as

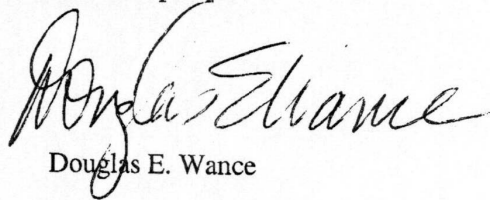
Steven M. Kennedy
November 22, 2024
Page 3

well as CSD's obligations for its monitoring wells not addressed in the 2017 Settlement Agreement or CSD's draft license.

While we are willing to engage in discussions with the full board, we encourage CSD to reconsider a more focused meeting between the ad hoc committee, CSD's general counsel, and CSD's general manager and staff, as we initially proposed, given the complexity of the issues involved.

Sincerely,

BUCHALTER
A Professional Corporation



Douglas E. Wance

DEW:gkt