

LICENSE AGREEMENT

This LICENSE AGREEMENT (“License”) is entered into this ____ day of _____, 2024 (“Execution Date”), by and between HESPERIA VENTURE I, LLC a California Limited Liability Company (“HVI”), and CRESTLINE SANITATION DISTRICT, a special district of the State of California (“District”). HVI and District are sometimes hereinafter individually referred to as a “Party” and collectively as “the Parties.”

RECITALS

WHEREAS, HVI, as the lawful successor in interest to Hesperia Venture I, LLC a Delaware Limited Liability Company, and Terra Verde Group, LLC a Delaware Limited Liability Company (collectively “Prior Owners”), owns and controls certain real property within the County of San Bernardino consisting of approximately 825 acres, and more thoroughly described in Exhibit “A” attached hereto and incorporated herein by this reference, which property is more commonly referred to as the Conservation Property (“Property”); and

WHEREAS, District produces hundreds of acre-feet of Title 22 recycled water (“Recycled Water”) per year as a byproduct of its wastewater treatment services. Recycled water is a valuable resource which should be utilized to obtain maximum beneficial use for District ratepayers; and

WHEREAS, for approximately fifty (50) years, District has discharged its Recycled Water onto District-owned property, which then flows onto the Property (“Discharge”) pursuant to a year-to-year agreement with Prior Owners and HVI. The Recycled Water is Discharged onto the Property under a permit issued by the State Water Quality Control Board, Lahontan Region, in the name of the District (“Permit”); and

WHEREAS, on February 25, 2016, District commenced legal action against Prior Owners and the City of Hesperia in Crestline Sanitation District v. City of Hesperia, et al., San Bernardino County Superior Court Case No. CIVDS 1602789 (“Action”); and

WHEREAS, on or about November 30, 2017, District and Prior Owners entered into a *Settlement and General Release Agreement* to the Action (“Settlement Agreement”) which is attached hereto as Exhibit “B” and fully incorporated herein by this reference; and

WHEREAS, pursuant to the Settlement Agreement, Prior Owners agreed to grant District a license to Discharge Recycled Water on a portion of the Property; and

WHEREAS, HVI hereby grants District a license to Discharge Recycled Water on a portion of the Property under the terms and conditions hereinafter set forth.

COVENANTS

NOW, THEREFORE, for an in consideration of the mutual covenants, and obligations contained herein and other good and valuable consideration received by each party, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Incorporation of Recitals.** The foregoing Recitals are hereby incorporated into this License in their entirety.
2. **Term.** The term of this License shall commence on the Execution Date and shall terminate on November 30, 2067 (“Term”). Thereafter, the Term shall be extended for an additional period of twenty (20) years, with automatic subsequent 20-year renewals, in the absence of any then-pending dispute between the Parties.
3. **Grant of License.** HVI hereby grants to District an irrevocable non-exclusive license to Discharge Recycled Water onto the Property, under the terms and conditions described in the Settlement Agreement, together with the right of entry onto the Property as needed to inspect, repair, maintain, and oversee the recycled water discharge facilities.
4. **Recycled Water.** The Parties agree that HV1 will document how Recycled Water will be dispersed throughout the Property, which will be attached hereto at Exhibit “C” and incorporated herein by this reference. The Parties also agree that HV1 will document the enhancement plan for the Property, which will be attached hereto as Exhibit “D” and incorporated herein by this reference. District does not agree to Discharge any specific quantity of Recycled Water on the Property. It is understood that HVI shall not acquire any rights to the Recycled Water. District shall have the right to move Recycled Water on the Property as may be required by the Permit and/or other applicable Discharge requirements.
5. **Maintenance and Enhancement of the Property.**
 - a. HV1 acknowledges that District will not be responsible, financially or otherwise, with respect to the maintenance and upkeep of the Property.
 - b. HV1 shall maintain as designed all diversion channels, slide gates, and appurtenances necessary for the Discharge system to the Property.
 - c. HV1 shall replace all old gates as needed at its sole cost and expense to make certain that access to diversion channels is unrestricted.
 - d. HV1 will work with District to establish a planting plan to install plant materials that will reduce nitrate concentration in the Discharge areas. HV1 shall be responsible for the maintenance of these plant materials at its sole cost and expense.
 - e. HV1 shall be responsible for weed abatement within the Discharge area to maintain a uniform plant palette and reduce the danger of fire risk.

- f. HVI shall manage and operate the Property in a manner to prevent persistent ponding of wastewater which is capable of promoting the breeding of mosquitos.
- g. HVI shall perform annual vegetation reduction on the Property, as performed by cattle for fifty (50) years.
- h. HVI and District shall every six (6) months during the Term to ensure compliance with the terms and conditions of this License and to discuss Discharge locations on the Property.

6. **Regional Water Quality Control Board.**

- a. HVI shall be responsible for the cost of any Permit modifications required by the State Water Quality Control Board, Lahontan Region in order to implement this License.
- b. HVI agrees to work with District to assist in upgrades at the Discharge sites on the Property to create a broader area of discharge and assist with rehabilitation of gates to assist with reduction of nitrate levels. HVI agrees to work with District to provide other nitrogen uptake options for the Recycled Water utilized on the Property, if necessary. HVI agrees to use its best efforts to enhance opportunities for nitrogen uptake on the Property.

7. **Right of First Refusal.** District agrees to give HVI a first right of refusal on any opportunities District has to furnish or sell its Recycled Water for construction or other uses.

8. **Regulatory Changes.** District and HVI agree to review this License, and any revisions thereto, every 35 years to ensure compliance with all applicable local, state, and federal discharge requirements. If any local, state, and federal discharge requirements necessitate modifications to this License, then the Parties will work together in a good faith effort to address the necessary revisions.

9. **Non-Transferability of License.** This License is not transferable by District without HVI's prior written consent.

10. **Termination.** District has the sole option to terminate this License for any reason upon giving one hundred and eighty (180) days written notice to HVI. Upon the termination of this License, District shall submit a request to quiet title to the San Bernardino County Recorder's Office to remove this License from the Property's title.

11. **Indemnification.**

- a. Each Party hereto agrees to protect, indemnify, defend, and hold harmless the other Party and its directors, officer, employees, agents, successors, and assigns from and against any and all actual or potential claims, liabilities, damages, losses, fines, penalties, judgments, awards, costs, and expenses (including reasonable attorneys'

fees and costs) asserted against, resulting to, imposed upon, or incurred by said other Party by reason of the first Party's breach of any provisions of this License. This indemnification shall survive the termination of this License.

- b. HVI represents and warrants that it possesses full legal authority to convey to District the rights reflected in this License. HVI shall protect, indemnify, defend, and hold harmless the District and its directors, officer, employees, agents, successors, and assigns from and against any and all actual or potential claims, liabilities, damages, losses, fines, penalties, judgments, awards, costs, and expenses (including reasonable attorneys' fees and costs) asserted against, resulting to, imposed upon, or incurred by District by reason of HVI's breach of said representations and warranties. This indemnification shall survive the termination of this License.
- c. HVI shall further protect, indemnify, defend, and hold harmless the District and its directors, officer, employees, agents, successors and assigns from and against any and all actual or potential claims, liabilities, damages, losses, fines, penalties, judgments, awards, costs, and expenses (including reasonable attorneys' fees and costs) asserted against, resulting to, imposed upon, or incurred by District by reason of HVI's use of the Recycled Water. This indemnification shall survive the termination of this License.

- 12. **Insurance.** District agrees to obtain and continue in force at all times during the life of this License a comprehensive general liability insurance policy covering liability from the Discharge of the Recycled Water on the Property, or such other insurance policy reasonably acceptable to HVI, that names HVI, its respective directors, predecessors, successors, assigns, officers, shareholders, members, and employees as additional insureds by endorsement and that has a policy limit of at least one million (\$1,000,000) per occurrence and two million (\$2,000,000) in aggregate.
- 13. **No Joint Venture or Partnership.** This License shall not be construed as to create a joint venture, partnership, employment, or other agency relationship between the Parties hereto.
- 14. **Severability.** The terms of this License shall be severable. In the event any of the terms or provisions of this License are deemed to be void or otherwise unenforceable, for any reason, the remainder of this License shall remain in full force and effect.
- 15. **Governing Laws.** This License shall be subject to and governed by the laws of the State of California. Venue for the resolution of any disputes or the enforcement of any rights arising out of or in connection with this License shall be in the San Bernardino County Superior Court.
- 16. **References in License.** All references in this License to the singular shall include the plural where applicable, and all reference to the masculine shall include the feminine and vice versa. If either reference shall be declared invalid, such decision shall not affect the validity of any remaining portion that shall remain in full force and effect.

17. **Notices.** Any notice, action, or demand by either Party to the other in connection with this License shall be deemed to have been fully given or made when such notice, action, or demand is written and deposited in a sealed envelope postage prepaid, and addressed as designated below. Either Party may change its address by giving the other Party written notice of its new address.

District: Crestline Sanitation District
24516 Lake Drive
P.O. Box 3395
Crestline, CA 92325-3395
Tel: (909) 338-1751
Attn: General Manager

HVI: Hesperia Venture I, LLC
P.O. Box 645
Calimesa, CA 92320
Tel: (714) 785-2381
Attn: John Ohanian, Project Director
johanian@tvglc.com

18. **Multiple Counterparts.** This License may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. **Assignment.** This License shall be binding on the Parties hereto and their respective successors and permitted assigns. This License and the obligations herein may not be assigned without the express written consent of each of the Parties hereto. The License granted herein is personal to Licensee.

20. **Entire Agreement.** This License and its exhibits constitute the entire agreement and understanding between the Parties and supersedes any prior agreement or understanding relating to the subject matter of this License.

21. **Modification.** This License may be changed, modified, or amended only by a fully authorized written instrument executed by the Parties hereto. Each Party agreed no representations or warranties shall be binding upon the other Party unless express in writing herein or in a duly authorized and executed amendment hereof.

22. **Miscellaneous.** No waiver of any of the provisions of this License shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver. The headings of this License are for purposes of reference only and shall not limit or define the meaning of any terms or provisions of this License. This License was

drafted by legal representatives of the Parties and therefore ambiguities shall not be interpreted against either Party.

23. **Recording.** Within thirty (30) days of full execution of this License, District or HVI shall cause this License to be recorded with the San Bernardino County Recorder's Office.

IN WITNESS WHEREOF, the Parties have agreed to execute this License effective from and after the Execution date set forth above:

CRESTLINE SANITATION DISTRICT

By: _____
Dawn Grantham, General Manager

HESPERIA VENTURE I, LLC

By _____
Robert Schlegel, Managing Member

APPROVED AS TO FORM:

DATED: COUNSEL FOR CRESTLINE SANITATION DISTRICT

By: _____
Steven M. Kennedy of Brunick, McElhaney & Kennedy

DATED: COUNSEL FOR HESPERIA VENTURE I, LLC

By: _____
Douglas E. Wance of Buchalter Nemer