

**THIRD AMENDMENT TO SECOND AMENDED AND RESTATED
RECYCLED WATER AND SUBLEASE AGREEMENT**

This Third Amendment to Second Amended and Restated Recycled Water and Sublease Agreement (“**Third Amendment**”) is dated June 9, 2022 (the “**Third Amendment Effective Date**”) and is between COUNTY SANITATION DISTRICT NO. 20 OF LOS ANGELES COUNTY, a county sanitation district organized and existing under the County Sanitation District Act, California Health and Safety Code, Section 4700 *et seq.* (the “**District**”), and ANTELOPE VALLEY FARMING, LLC, a California limited liability company (“**AVF**”). The District and AVF are referred to individually in this Second Amendment as a “**Party**” and collectively as the “**Parties.**”

A. On February 4, 2002, the City of Los Angeles (the “**City**”) and the District entered into a lease entitled *Lease between the City of Los Angeles and County Sanitation District No. 20 of Los Angeles County for Reclaimed Water Management at Palmdale Regional Airport* (the “**Original Lease**”).

B. The District subleased to AVF approximately 2,518 acres of the real property that is the subject of the Original Lease (which is located in Palmdale, California) pursuant to a Second Amended and Restated Recycled Water and Sublease Agreement, dated April 17, 2014, as amended by an Amendment to Second Amended and Restated Recycled Water and Sublease Agreement, dated January 19, 2017, and as amended by a Second Amendment to Second Amended and Restated Recycled Water and Sublease Agreement, dated June 11, 2020 (collectively, the “**Agreement**”). The Subleased Premises includes 13 quarter-mile radius center pivots, 14 eighth-mile radius center pivots, booster pump stations, and appurtenant piping and equipment used by AVF for the cultivation of fodder crops with recycled water from the District’s Palmdale WRP. All terms not defined in this Third Amendment have the meanings ascribed in the Agreement.

C. On May 11, 2018, the Original Lease was amended and restated pursuant to a document entitled *Amended and Restated Lease between the City of Los Angeles and County Sanitation District No. 20 of Los Angeles County at Palmdale Landholdings* (the “**Amended Lease**”). The Amended Lease confirms the existence of the Agreement and the City’s consent thereto. AVF has acknowledged that the Agreement is subject to the Amended Lease.

D. AVF has requested that the District agree to extend the term of the Agreement so that AVF can qualify to receive grants from the Antelope Valley Air Quality Management District to purchase low-emission equipment and vehicles to support AVF’s operations at the Subleased Premises. The District is willing to extend the term of the Agreement subject to the terms and conditions in this Third Amendment.

The District and AVF therefore amend the Agreement as follows:

1. Amendment to Section 1.2. Section 1.2 is hereby deleted in its entirety and replaced with the following:

“1.2 Term. The term of this Agreement commences on January 1, 2015 (the “Effective Date”) and expires on December 31, 2028. The term of this Agreement may be extended for up to two (2) additional one-year terms upon mutual agreement of the Chief Engineer, or his or her designee, and AVF.”

2. Amendment to Section 2.1. Section 2.1 is hereby deleted in its entirety and replaced with the following:

“2.1 Payment. AVF shall pay an annual dry land lease fee (“User’s Fee”) and an annual recycled water access fee (“Access Fee”) to the District for each year of the term of this Agreement, as shown in the table below. The User’s Fee and Access Fee are collectively referred to in this Agreement as “Fees.” AVF shall pay the Fees in equal quarterly installments in advance by the first day of each quarter (January 1, April 1, July 1, October 1).

Year	User’s Fee	Access Fee	Total Fees
2015	\$151,080 (\$60/acre)	\$151,080 (\$60/acre)	\$302,160 (\$120/acre)
2016	\$151,080 (\$60/acre)	\$151,080 (\$60/acre)	\$302,160 (\$120/acre)
2017	\$151,080 (\$60/acre)	\$151,080 (\$60/acre)	\$302,160 (\$120/acre)
2018	\$151,080 (\$60/acre)	\$163,670 (\$65/acre)	\$314,750 (\$125/acre)
2019	\$151,080 (\$60/acre)	\$176,260 (\$70/acre)	\$327,340 (\$130/acre)
2020	\$151,080 (\$60/acre)	\$188,850 (\$75/acre)	\$339,930 (\$135/acre)
2021	\$151,080 (\$60/acre)	\$201,440 (\$80/acre)	\$352,520 (\$140/acre)
2022	\$151,080 (\$60/acre)	\$219,066 (\$87/acre)	\$370,146 (\$147/acre)
2023	\$151,080 (\$60/acre)	\$237,573 (\$94.35/acre)	\$388,653 (\$154.35/acre)
2024	\$151,080 (\$60/acre)	\$257,006 (\$102.07/acre)	\$408,086 (\$162.07/acre)
2025	\$151,080 (\$60/acre)	\$277,410 (\$110.17/acre)	\$428,490 (\$170.17/acre)
2026	User’s Fee and Access Fee shall each be increased per Section 2.1.1		
2027	User’s Fee and Access Fee shall each be increased per Section 2.1.1		
2028	User’s Fee and Access Fee shall each be increased per Section 2.1.1		

AVF shall make its payments to County Sanitation District No. 20 of Los Angeles County without offset, grace, notice, or deduction and shall mail the payments to the address provided in Section 12 of this Agreement.”

3. New Subsection in Section 2.1. The following Subsection 2.1.1 is hereby added after Section 2.1:

“2.1.1 Increases in Fees. Effective January 1, 2026, the User’s Fee and Access Fee will each be increased every January 1 (commencing on January 1, 2026) by an amount equal to the change in the CPI (as defined below) during the immediately preceding 12-month period ending October 31 (“CPI Adjustment”), with a maximum 5% increase. By way of example only, the User’s Fee and Access Fee effective January 1, 2026, will be increased based on the change in the CPI between November 1, 2024 and October 31, 2025. For purposes of this Agreement, “CPI” means the Consumer Price Index – All Items for All Urban Customers, Los Angeles-Long Beach-Anaheim area published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if such index is discontinued). In no event will the User’s Fee and Access Fee be less than the User’s Fee and Access Fee payable in the immediately preceding lease year. If the Parties inadvertently fail to apply a CPI Adjustment on January 1 of any year, then that failure will not be deemed a waiver by the District of that particular CPI Adjustment of the User’s Fee and Access Fee, but rather, that CPI Adjustment will

be added to any subsequent CPI Adjustment(s) with appropriate back charges as necessary to capture the inadvertent shortage.”

4. Amendment to Section 3.6. The first sentence in Section 3.6 is hereby deleted in its entirety and replaced with the following:

“AVF shall pay the District a fee per acre-foot (“AF”) to compensate the District for operation and maintenance costs associated with the conveyance and transmission of recycled water (“Recycled Water Conveyance Fee”) to AVF as shown in the following table:

Year	Recycled Water Conveyance Fee (per AF)
2015	\$20
2016	\$20
2017	\$20
2018	\$21
2019	\$21
2020	\$22
2021	\$22
2022	\$22

Effective January 1, 2023, the Recycled Water Conveyance Fee will be increased every January 1 (commencing on January 1, 2023) by an amount equal to the change in the CPI (as defined below) during the immediately preceding 12-month period ending October 31 (“CPI Adjustment”), with a maximum 5% increase. By way of example only, the Recycled Water Conveyance Fee effective January 1, 2023, will be increased based on the change in the CPI between November 1, 2021 and October 31, 2022. For purposes of this Agreement, “CPI” means the Consumer Price Index – All Items for All Urban Customers, Los Angeles-Long Beach-Anaheim area published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if such index is discontinued). In no event will the Recycled Water Conveyance Fee be less than the Recycled Water Conveyance Fee payable in the immediately preceding lease year. If the Parties inadvertently fail to apply a CPI Adjustment on January 1 of any year, then that failure will not be deemed a waiver by the District of that particular CPI Adjustment of the Recycled Water Conveyance Fee, but rather, that CPI Adjustment will be added to any subsequent CPI Adjustment(s) with appropriate back charges as necessary to capture the inadvertent shortage.”

5. Credit for Irrigation Equipment Replacement. In accordance with the terms of the Agreement, AVF is and shall remain solely responsible for maintenance and repairs of the irrigation equipment at the Subleased Premises. However, as consideration for the costs incurred by AVF to replace Center Pivots Nos. 5, 7, 9 and 10, the District will issue AVF a one-time credit of \$114,000 towards the Fees for 2022. Notwithstanding anything to the contrary in this Third Amendment or the Agreement, AVF agrees to maintain, repair, and replace at its sole cost and expense any and all irrigation equipment and agrees that the District shall have no obligation in connection with the maintenance, repair, or replacement of any irrigation equipment at the

Subleased Premises (including, without limitation, the obligation to pay any fees or costs in connection with such maintenance, repair, or replacement).

6. Representations. AVF represents and warrants for the benefit and reliance of the District as follows: (a) the Agreement has not been modified, changed, altered or amended in any respect (except only by this Third Amendment) and is legal, valid, and binding, in full force and effect, and enforceable in accordance with its terms; (b) there exists no breach or default, nor state of facts, nor condition which with notice, the passage of time, or both, would result in a breach or default under the Agreement on the part of AVF or the District; and (c) no claim, controversy, dispute, quarrel or disagreement exists between the District and AVF.

7. Miscellaneous. Except as stated above, all other terms and conditions of the Agreement remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and this Third Amendment, the provisions of this Third Amendment will prevail. The recitals set forth in Sections A through D above are incorporated in this Third Amendment by reference. Each individual signing this Third Amendment warrants and represents that he or she has the full authority to execute this Third Amendment on behalf of the party on whose behalf he or she so signs, and that he or she is acting within the scope of such authority.

[Signatures Appear on Following Page]

The Parties are signing this Third Amendment as of the Third Amendment Effective Date.

**COUNTY SANITATION DISTRICT NO. 20
OF LOS ANGELES COUNTY**

By: _____
Chairperson, Board of Directors


ATTEST:

Secretary to the Board

APPROVED AS TO FORM:
Lewis Brisbois Bisgaard & Smith, LLP

By: _____
District Counsel

ANTELOPE VALLEY FARMING, LLC

By:  _____
Craig Van Dam, Manager