

Exhibit C

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13 Superior Court of the State of California

14 County of Los Angeles

15 ANTELOPE VALLEY GROUNDWATER
16 CASES

17 This Pleading Relates to Included Action:
18 REBECCA LEE WILLIS, on behalf of herself
and all others similarly situated,

19 Plaintiff,

20 v.

21 LOS ANGELES COUNTY WATERWORKS
22 DISTRICT NO. 40; CITY OF LANCASTER;
CITY OF LOS ANGELES; CITY OF
23 PALMDALE; PALMDALE WATER
DISTRICT; LITTLEROCK CREEK
24 IRRIGATION DISTRICT; PALM RANCH
IRRIGATION DISTRICT; PALM RANCH
25 IRRIGATION DISTRICT; QUARTZ HILL
WATER DISTRICT; ANTELOPE VALLEY
26 WATER CO.; ROSAMOND COMMUNITY
SERVICES DISTRICT; and DOES 1 through
27 1,000;

28 Defendants.

JUDICIAL COUNCIL
COORDINATION
PROCEEDING NO. 4408

Case No. BC 364553

WILLIS CLASS STIPULATION OF
SETTLEMENT

SETTLEMENT STIPULATION

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1 This Stipulation of Settlement (the "Stipulation" or "Agreement") is entered into this 13th
2 day of ^{July} 2010 by and between California Water Service Company, City of Palmdale, Littlerock
3 Creek Irrigation District, Los Angeles Waterworks District No. 40 ("District 40"), Palmdale
4 Water District, Palm Ranch Irrigation District, Phelan Pinon Hills Community Services District,
5 Quartz Hill Water District, and Rosamond Community Services District, Desert Lake Community
6 Services District and North Edwards Water District (collectively, "Settling Defendants"), on the
7 one hand, and Rebecca Lee Willis and the Willis Class (as more fully defined below), which
8 consists of certain persons who own property(ies) that overly the Antelope Valley Groundwater
9 Basin (the "Basin") on which they do not and have not pumped groundwater, on the other hand.
10 Settling Defendants, Rebecca Lee Willis, and the Willis Class are collectively referred to as the
11 "Settling Parties," or individually a "Settling Party." This Stipulation and the Exhibits hereto set
12 forth the terms of a settlement (the "Settlement") between and among the Settling Parties
13 compromising and dismissing the claims and defenses they have asserted in the above-captioned
14 action. The Settlement is subject to approval by the Superior Court of California for Los Angeles
15 County; in the event such approval is denied, cannot be obtained, or is reversed on appeal, this
16 Stipulation shall have no further force or effect, and the Settling Parties shall be returned to their
17 respective positions in the litigation prior to execution of this Stipulation.

18 I. THE SETTLING PARTIES

19 A. The Settling Plaintiffs are Rebecca Lee Willis and the members of the Willis
20 Class, as defined in paragraph II, D below.

21 B. The Settling Defendants are as follows:

22 1. California Water Service Company is a California corporation which
23 extracts groundwater from the Basin to serve customers within the Basin.

24 2. The City of Palmdale is a municipal corporation in the County of Los
25 Angeles which receives water from the Basin.

26 3. Littlerock Creek Irrigation District is a public agency which produces
27 groundwater from the Basin to serve customers within the Basin.

28

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1 4. Los Angeles County Waterworks District No. 40 ("District 40") is a public
2 agency governed by the Los Angeles County Board of Supervisors. District 40 has been lawfully
3 organized to perform various functions, including producing water from the Basin, which it
4 provides to more than 65,000 residential and commercial customers in the Basin.

5 5. Palmdale Water District is an irrigation district organized and operating
6 under Division 11 of the California Water Code, which produces groundwater from the Basin to
7 serve customers within the Basin.

8 6. Palm Ranch Irrigation District is a public agency which produces
9 groundwater from the Basin to serve customers within the Basin.

10 7. Rosamond Community Services District is a public agency which produces
11 water from the Basin which it provides to customers within the Basin.

12 8. Quartz Hill Water District is a county water district organized and
13 operating under Division 12 of the California Water Code. It produces water from the Basin.

14 9. Phelan Pinon Hills Community Services District is a public water supplier
15 which produces water from the Basin.

16 10. Desert Lake Community Services District is a public agency which
17 produces groundwater from the Basin.

18 11. North Edwards Water district is a public agency which produces
19 groundwater from the Basin.

20 **II. RECITALS**

21 A. On or about November 29, 2004, District 40 commenced a civil action against
22 Overlying Owners (more specifically defined in III. M) in the Basin, which is now pending in the
23 Superior Court for Los Angeles County, seeking, inter alia, an adjudication of their respective
24 rights to produce groundwater from the Basin. On or about July 11, 2005, that case was
25 coordinated with several quiet title actions that had been brought by Basin landowners, which
26 also sought a declaration of the parties' rights to produce and use the Basin's groundwater.
27 Antelope Valley Groundwater Cases, No. 1-05-CV049053 (JCCP 4408) (hereinafter the
28 "Coordinated Actions"). The Coordinated Actions are pending before the Honorable Jack Komar.

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1 B. On or about October 10, 2006, the Court held an initial phase of trial with respect
2 to the boundaries of the Basin. The Court issued an Order on November 3, 2006, defining the
3 Basin for purposes of this litigation.

4 C. On or about January 11, 2007 Plaintiff, Rebecca Lee Willis ("Willis"), filed a class
5 action complaint in the Superior Court of the State of California for Los Angeles County (No. BC
6 364553) (the "Willis Action") in which she alleged that certain Public Water Suppliers had
7 wrongfully claimed prescriptive rights to the Basin's groundwater. Willis sought, inter alia, a
8 declaration that the Settling Defendants had not obtained prescriptive rights as to her or Willis
9 Class Members (more specifically defined in III.X). On or about April 10, 2007, the Willis Action
10 was coordinated as part of the Coordinated Actions.

11 D. By Order dated September 11, 2007 (as amended by Orders dated May 22, 2008
12 and September 2, 2008), the Court certified Willis as the representative of a Class of certain
13 Overlying Owners (more specifically defined in if III.M. below) pursuant to Section 382 of the
14 California Code of Civil Procedure and Division 7, Chapter 6 of the Rules of Court.

15 E. In early January 2009, Notice of the Pendency of the Willis Action was sent by
16 first class mail to all Willis Class Members (more specifically defined in III.X below) who could
17 be identified with reasonable effort and a summary notice was published. The deadline for
18 putative Willis Class Members to exclude themselves (as extended) expired on August 30, 2009.
19 The Court has made various orders allowing certain parties to rejoin the Willis Class.

20 F. The Settling Parties have actively discussed potential settlement for much of this
21 year. On or about September 2, 2009, the Settling Parties engaged in mediation before the
22 Honorable Ronald Robie during the course of which counsel for most of the parties reached an
23 agreement in principle to settle the Willis Action, subject to the negotiation of a final settlement
24 agreement, client approvals, and approval by the Court.

25 G. On or about February 19, 2010, the Court entered an Order Transferring and
26 Consolidating Actions for All Purposes (hereinafter the "Consolidated Actions").

27 H. Over the course of the last three years, the Settling Plaintiffs' counsel have
28 conducted a thorough investigation of the facts and law relating to the matters at issue in the

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1 Consolidated Actions and have evaluated the merits of all Settling Parties' contentions and the
2 impact this Settlement will have on the Willis Class Members. After evaluating the foregoing, the
3 Settling Plaintiffs and counsel are satisfied that the terms and conditions of this Stipulation are
4 fair, reasonable, and adequate, and that the Settlement is in the best interest of the Willis Class
5 Members.

6 I. The Settling Defendants contend that they have prescriptive rights to substantially
7 more than 15% of the Basin's Native Safe Yield. The Settling Plaintiffs contend that the Settling
8 Defendants have no such prescriptive rights as to them. This Settlement reflects a compromise
9 between the Settling Parties and shall not (1) be construed as an admission or concession by any
10 Settling Party of the truth of any allegation or the validity of any claim or defense asserted in any
11 of the pleadings, (2) be construed to prejudice the rights, claims, or defenses of any persons who
12 are not Settling Parties, or (3) be construed to prejudice the rights, claims, or defenses (whether
13 asserted or potential) of any Settling Party vis-à-vis any non-settling party.

14 J. The United States owns property within the Basin as to which it claims a Federal
15 Reserved Right to produce groundwater.

16 III. DEFINITIONS

17 The following terms used in this Stipulation shall have the meanings set forth below:

18 A. "Assessments" means any monetary or other levy or charge imposed as part of a
19 Physical Solution.

20 B. "Basin" means the Antelope Valley Groundwater Basin as defined in the Court's
21 Order of November 3, 2006.

22 C. "Consolidated Actions" means all actions that have been or subsequently were
23 coordinated as part of Judicial Council Coordination Proceeding No. 4408 and all actions that
24 have been or subsequently were consolidated pursuant to the Court's Order from February 19,
25 2010.

26 D. "Correlative Rights" means the principle of California law, articulated in Katz v.
27 Walkinshaw (1903) 141 Cal. 116 and subsequent cases, that Overlying Owners may make
28 reasonable and beneficial use of the water in a Basin and that, if the supply of water is insufficient

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1 for all reasonable and beneficial needs, each Overlying Owner is entitled to a fair and just
2 proportion of the water available to the Overlying Owners.

3 E. "Court" means the Honorable Jack Komar, sitting by designation as a Judge of the
4 Superior Court of Los Angeles County or such other Judge as may be designated by the Judicial
5 Conference to hear JCCP No. 4408.

6 F. "Effective Date" means the date on which the Court's Judgment granting final
7 approval to the Settlement becomes final and not subject to further appeal.

8 G. "Federal Reserved Right" is the principle originally articulated in *Winters v.*
9 *United States* (1908) 207 U.S. 564 and more recently in *Cappaert v. United States* (1976) 426
10 U.S. 128, which holds that when the Federal Government reserves land from the public domain, it
11 impliedly reserves sufficient water to serve the purposes for which the lands were reserved, and
12 the quantity of reserved water is limited to the amount necessary to fulfill the purposes of the
13 reserved land. The United States contends that the Federal Reserved Right entitles the United
14 States to a prior and paramount right to a portion of the Native Safe Yield.

15 H. "Federally Adjusted Native Safe Yield" for any given year means the Basin's
16 Native Safe Yield less the actual annual production of the United States' during the prior year
17 pursuant to its Federal Reserved Right.

18 I. "Final Judgment" means a final judgment to be entered by the Court in the above
19 matter, which approves the terms and provisions of this Stipulation, and is substantially in the
20 form attached hereto as Exhibit A.

21 J. "Imported Water" means water that enters the Basin and that originates outside the
22 Basin that is not part of the Basin's Native Safe Yield, and that, absent human intervention, would
23 not recharge or be used in the Basin. Imported Water does not include water purchased by the
24 Watermaster with Replacement Assessments or bottled water.

25 K. "Native Safe Yield" means the amount of pumping, which under a given set of
26 land use and other prevailing cultural conditions, generates Return Flows that, when combined
27 with naturally occurring groundwater recharge to the Basin, results in no long-term depletion of
28

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1 Basin groundwater storage. Pumping of the Settling Parties' share of Native Safe Yield is not
2 subject to any Replacement Assessment.

3 L. "Overlying Right" means the appurtenant right of an Overlying Owner to use
4 groundwater from the Native Safe Yield for overlying reasonable and beneficial use.

5 M. "Overlying Owners" means owners of land overlying the Basin who hold an
6 Overlying Right.

7 N. "Physical Solution" means a mechanism that comprehensively resolves the
8 competing claims to the Basin's water and provides for the management of the Basin. The Settling
9 Parties anticipate that this Settlement will later be incorporated into a Physical Solution.

10 O. "Preliminary Approval Order" means the Court's Order granting preliminary
11 approval to the Settlement set forth herein, directing the manner in which notice of the Settlement
12 shall be provided to the Willis Class, and scheduling a final Hearing for the Court to consider
13 whether to approve the Settlement. The Settling Parties will submit a proposed Preliminary
14 Approval Order in the form appended as Exhibit B hereto.

15 P. "Recycled Water" means water which, as a result of treatment of waste, is suitable
16 for a direct beneficial use or a controlled use that would not otherwise occur and is therefore
17 considered a valuable resource..

18 Q. "Replacement Assessment" means the charge imposed on any Settling Party by the
19 Watermaster for producing more water than it is entitled to produce from the Basin under the
20 terms of this Settlement or pursuant to such further orders as the Court may enter in the
21 Coordinated Actions.

22 R. "Replacement Water" means water purchased by the Watermaster to offset
23 production in excess of a Settling Party's share of Total Safe Yield.

24 S. "Return Flows" means the amount of water that is put to reasonable and beneficial
25 agricultural, municipal or other use and thereafter returns to the Basin and is part of the Basin's
26 Total Safe Yield.

27 T. "Settlement" means this Stipulation, including the Exhibits appended hereto.
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1 U. "Total Safe Yield" means the amount of pumping, which under a given set of land
2 use and other prevailing cultural conditions generates Return Flows that, when combined with
3 naturally occurring groundwater recharge to the Basin and Return Flows derived from Imported
4 Water, results in no long-term depletion of Basin groundwater storage.

5 V. "Transition Period" means the period of time provided for in the Physical Solution
6 during which the parties' right to produce water from the Native Safe Yield free from
7 Replacement Assessment will decrease to amounts that total no more than that party's share of
8 Native Safe Yield.

9 W. "Watermaster" means the person or entity appointed by the Court to monitor and
10 manage the Basin's groundwater, subject to oversight by the Court.

11 X. "Willis Class" or "Willis Class Members" means the Willis Class as defined in the
12 Court's Order of September 11, 2007, as amended by the Court's Orders of May 22, 2008, and
13 September 2, 2008, but shall exclude all persons who timely excluded themselves from the Willis
14 Class and have not rejoined the Willis Class. The Willis Class consists of the following:

15 "All private (i.e., non-governmental) persons and entities that own
16 real property within the Basin, as adjudicated, that are not presently
17 pumping water on their property and have not done so at any prior
18 time ("the Class"). The Class includes the successors-in-interest by
19 way of purchase, gift, inheritance, or otherwise of such landowners.

20 The Class excludes the defendants herein, any person, firm, trust,
21 corporation, or other entity in which any defendant has a controlling
22 interest or which is related to or affiliated with any of the
23 defendants, and the representatives, heirs, affiliates, successors-in-
24 interest or assigns of any such excluded party. The Class also
25 excludes all persons to the extent their properties are connected and
26 receive service from a municipal water system, public utility, or
27 mutual water company. The Class shall [further] exclude all
28 property(ies) that are listed as 'improved' by the Los Angeles
County or Kern County Assessor's office, unless the owners of such
properties declare under penalty of perjury that they do not pump
and have never pumped water on those properties."

24 IV. SETTLEMENT TERMS

25 In consideration of the covenants and agreements set forth herein, and of the releases and
26 dismissals described below, the Settling Parties agree to settle and compromise the claims that
27 have been asserted or that could have been asserted between and among the Willis Class and the
28

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1 Settling Defendants, subject to Court approval, on the following terms and conditions:

2 A. Native Safe Yield.

3 Settling Defendants and the United States contend that the best estimate of the Basin's
4 Native Safe Yield is 82,300 acre-feet per year. The Willis Class agrees not to challenge or
5 otherwise contest the Native Safe Yield proposed by the Settling Defendants as long as it is at
6 least 82,300 acre-feet per year. The Settling Parties understand and agree that, in the absence of
7 stipulation by all parties in the Coordinated Actions, the Court will decide the Basin's Native Safe
8 Yield following trial, and the Settling Parties agree to be bound by the Court's determination in
9 that regard even if some or all of them do not participate in such a trial.

10 B. Total Safe Yield.

11 The Settling Defendants contend that the best estimate of the Basin's Total Safe Yield is
12 110,500 acre-feet per year. The Willis Class agrees not to challenge or otherwise contest that
13 estimate. The Settling Parties understand and agree that, in the absence of stipulation by all
14 parties in the Coordinated Actions, the Court will decide the Basin's Total Safe Yield following
15 trial, and the Settling Parties agree to be bound by the Court's determination in that regard even if
16 some or all of them do not participate in such a trial.

17 C. Federal Reserved Right.

18 The United States contends that it is entitled to a Federal Reserved Right. The Settling
19 Parties agree that the Federal Government has a Federal Reserved Right to use a portion of the
20 Native Safe Yield. The Settling Parties agree that the Court will decide the amount of the Federal
21 Reserved Right and they agree to be bound by the Court's determination.

22 D. Allocation Of Federally Adjusted Native Safe Yield.

23 The Settling Parties agree to be bound by the Court's determination of the amounts of the
24 Basin's Native Safe Yield and the United States' Federal Reserved Right. The Basin's Federally
25 Adjusted Native Safe Yield shall be the Basin's Native Safe Yield less the prior year's production
26 of water by the United States (not to exceed the Federal Reserved Right). The Settling Parties
27 agree that the Settling Defendants and the Willis Class Members each have rights to produce
28 groundwater from the Basin's Federally Adjusted Native Safe Yield.

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1 1. Settling Defendants' Water Rights

2 Settling Defendants have asserted in the Coordinated Actions that they have obtained
3 prescriptive rights to the Basin's Native Safe Yield. This Stipulation shall neither be construed to
4 recognize prescriptive rights nor to limit the Settling Defendants' prescriptive claims vis-a-vis the
5 Basin or any non-settling parties, but rather as an agreement to fairly allocate the Settling Parties'
6 respective rights to use the Basin's water. The Settling Parties agree that the Settling Defendants
7 collectively have the right to produce up to 15% of the Basin's Federally Adjusted Native Safe
8 Yield free of any Replacement Assessment. The Willis Class will not take any positions or enter
9 into any agreements that are inconsistent with the exercise of the Settling Defendants' rights.

10 2. Willis Class Members' Pumping Rights

11 The Settling Parties agree that the Willis Class Members have an Overlying Right to a
12 correlative share of 85% of the Federally Adjusted Native Safe Yield for reasonable and
13 beneficial uses on their overlying land free of any Replacement Assessment. The Settling
14 Defendants will not take any positions or enter into any agreements that are inconsistent with the
15 exercise of the Willis Class Members' Overlying Right to produce and use their correlative share
16 of 85% of the Basin's Federally Adjusted Native Safe Yield.

17 a. Safe Harbor.

18 The Willis Class Members acknowledge that the Settling Defendants may at trial prove
19 prescriptive rights against all groundwater pumping in the Basin during a prior prescriptive
20 period. If the Settling Defendants do prove prescriptive rights, Settling Defendants shall not
21 exercise their prescriptive rights to diminish the Willis Class Members' Overlying Right below a
22 correlative share of 85% of the Basin's Federally Adjusted Native Safe Yield. If the Settling
23 Defendants fail to prove any prescriptive rights, this Agreement shall not diminish at all the rights
24 of Willis Class Members to make reasonable and beneficial use of a correlative share of the
25 Basin's Federally Adjusted Native Safe Yield. In no event shall this Agreement require the
26 Willis Class Members to give to the Settling Defendants more than 15% of any rights to use the
27 Basin's groundwater that they may obtain by way of settlement or judgment. If there is a
28 subsequent Court decision whereby the Court determines that the Willis Class Members do not

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1 have Overlying Rights, this Agreement shall not require Settling Defendants to give the Willis
2 Class Members any right to pump from the Native Safe Yield.

3 3. Correlative Rights Of Overlying Landowners

4 The Willis Class Members recognize that other Overlying Owners may have the right to
5 pump correlatively with them 85% of the Federally Adjusted Native Safe Yield of the Basin for
6 reasonable and beneficial uses on their overlying land.

7 4. Return Flows From Imported Water

8 a. The Settling Parties acknowledge and agree that they all have the
9 right to recapture Return Flows from Imported Water that they put to reasonable and beneficial
10 use in the Basin, consistent with California law. The Settling Parties will not be subject to any
11 Replacement Assessment for their production of an amount equal to the Return Flows from
12 Imported Water that they put to reasonable and beneficial use in the Basin.

13 b. Settling Defendants believe that the best estimates of Return Flows
14 from Imported Water are (a) 25% of the water used for agricultural purposes and (b) 28% of the
15 water used for municipal and industrial purposes. Settling Defendants further believe that the best
16 estimate of total annual Return Flows from Imported Water is 28,200 acre-feet of which 25,100
17 acre-feet is from municipal and industrial use and 3,100 acre-feet is from agricultural use. The
18 Willis Class agrees not to contest those estimates, and all Settling Parties agree to be bound by
19 any findings that may later be made by the Court with respect thereto.

20 V. MANAGEMENT OF THE BASIN

21 A. General

22 The Settling Parties agree that the Basin has limited water resources and that they should
23 use their best efforts to conserve and maximize reasonable and beneficial use. The Settling Parties
24 further agree that there is a need to create a groundwater management plan to ensure that
25 pumping from the Basin does not exceed the Basin's Total Safe Yield and that the Court should
26 appoint a Watermaster to oversee the management of the Basin's water resources.

27 B. Physical Solution

28 The Settling Parties expect and intend that this Stipulation will become part of a Physical
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1 Solution entered by the Court to manage the Basin and that the Court will retain jurisdiction in the
2 Coordinated Actions. The Settling Parties agree to be part of such a Physical Solution to the
3 extent it is consistent with the terms of this Stipulation and to be subject to Court-administered
4 rules and regulations consistent with California and Federal law and the terms of this Stipulation.
5 The Settling Parties agree that the Physical Solution may require installation of a meter on any
6 groundwater pump by a Willis Class Member before a Willis Class Member may produce
7 groundwater. The responsibility for the cost of such meters will be determined by the Court.

8 C. Transition Period.

9 The Settling Parties agree that net groundwater production from the Basin needs to be
10 reduced over a period of time from current levels to no more than the Basin's Total Safe Yield.
11 This can be accomplished by reducing pumping and/or purchasing Replacement Water. The
12 Settling Parties agree that the Transition Period should begin at the date of entry of Final
13 Judgment in the Coordinated Actions and should last seven years. During the first two years of
14 the Transition Period no effort will be made to curtail groundwater pumping and no Replacement
15 Assessments will be made. By the end of the seventh year of the Transition Period, groundwater
16 pumping from the Basin without Replacement Assessment for Replacement Water will not
17 exceed the Native Safe Yield.

18 D. Replacement Water.

19 The Settling Parties recognize the right of any Settling Party to produce groundwater from
20 the Basin above their share of the Native Safe Yield, subject to the Physical Solution and to any
21 Replacement Assessment. The Settling Parties agree to provide or purchase Imported Water for
22 all groundwater pumping that exceeds a Settling Party's share of the Federally Adjusted Native
23 Safe Yield. The Settling Parties agree that any Settling Party who produces more than its annual
24 share of the Federally Adjusted Native Safe Yield in any year will be responsible to provide
25 Replacement Water or pay a Replacement Assessment to the Watermaster so that the
26 Watermaster can purchase Imported Water to recharge the Basin.

27 E. Water Storage

28 The Settling Parties agree that water storage in the Basin offers significant benefits and

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1 should be encouraged. The Settling Parties further recognize that there is a limit on the Basin's
2 available storage space and that the storage of water for uses within the Basin should have
3 priority over storage for use outside the Basin. Subject to those general principles, the Settling
4 Parties agree that water storage should be permitted and encouraged and agree to support
5 appropriate provisions in the Physical Solution.

6 F. Recycled Water

7 The Settling Parties agree that it is important to encourage the treatment and use of
8 Recycled Water. The Willis Class agrees not to challenge or otherwise contest Settling
9 Defendants' claims to Return Flows from Recycled Water that was reclaimed by the Sanitation
10 Districts of Los Angeles County.

11 VI. PROCEDURES FOR CLASS NOTICE AND HEARING ON MOTIONS FOR
12 PRELIMINARY AND FINAL APPROVAL OF STIPULATION

13 A. Preliminary Approval Motion and Settlement Notice.

14 Settling Plaintiffs shall file a motion for preliminary approval ("Preliminary Approval
15 Motion") of the terms of the Settlement as soon as practicable following execution of this
16 Stipulation by all Settling Parties. The Preliminary Approval Motion will seek entry of an Order
17 Preliminarily Approving Class Action Settlement. The Preliminary Approval Motion shall
18 include a proposed form of notice describing this Stipulation (the "Settlement Notice") to be
19 disseminated to the Willis Class as well as a description of the procedures to be used in
20 disseminating the Settlement Notice. The Settlement Notice shall be disseminated to all Willis
21 Class Members by or under the supervision of counsel for District 40, with the expenses to be
22 borne by District 40. The Settling Parties will attempt to agree upon the language for the
23 Settlement Notice, but agree to be bound by the Court's determination in the event they have any
24 disputes or disagreements in that regard. The Settling Parties agree to use their best efforts to have
25 the Preliminary Approval Motion heard as promptly as is practical.

26 B. Final Approval Hearing.

27 The Settlement Notice will advise Willis Class Members of the date and time set for a
28 Hearing on the Settling Plaintiffs' Motion for Final Approval of the Stipulation, including

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1 advising them of their rights to submit statements in support of or opposition to the Stipulation.
2 The Final Approval Motion shall request that this Court find that the Stipulation and Proposed
3 Final Judgment are fair, reasonable, and adequate to the Willis Class and shall seek entry of a
4 Final Judgment substantially in the form attached hereto as Exhibit A.

5 VII. RELEASES AND DISMISSALS

6 A. Release By Settling Plaintiffs

7 1. In addition to the effect of any Final Judgment entered in accordance with
8 this Stipulation, upon this Stipulation becoming final as set out in Section VIII, Paragraph G of
9 this Stipulation, and in consideration for the settlement consideration set forth above, and for
10 other valuable consideration, the Settling Plaintiffs shall completely release, acquit and forever
11 discharge the Settling Defendants from any and all claims, demands, actions, suits, causes of
12 action, whether class, individual, or otherwise in nature that Settling Plaintiffs, or each of them,
13 ever had, now has, or hereafter can, shall, or may have on account of or in any way arising out of,
14 any and all known or unknown, foreseen or unforeseen, suspected or unsuspected injuries,
15 damages, and the consequences thereof in any way arising out of or relating in any way to the
16 matters at issue in the Willis Action ("Released Claims"). Each Settling Plaintiff may hereafter
17 discover facts other than or different from those which he, she, or it knows or believes to be true
18 with respect to the claims which are the subject matter of this Stipulation, but each Settling
19 Plaintiff hereby expressly waives and fully, finally, and forever, settles and releases, upon this
20 Stipulation becoming final, any known or unknown, suspected or unsuspected, contingent or non-
21 contingent claim with respect to the subject matter of the Stipulation, whether or not concealed or
22 hidden, without regard to the subsequent discovery or existence of such different or additional
23 facts. As provided in the Release set forth above, the Settling Plaintiffs, including any of Settling
24 Plaintiffs' representatives, successors, agents, affiliates, employees, supervisors, officers,
25 directors, or shareholders, agree to waive and release all rights and benefits which they might
26 otherwise have pursuant to Section 1542 of the California Civil Code with regard to the release of
27 such unknown, unanticipated or misunderstood claims, causes of action, liabilities, indebtedness
28 and obligations.

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1 2. The Release set forth in Paragraph VII.A, above, does not include claims
2 by any of the Settling Plaintiffs other than the claims set forth therein. In particular, the Settling
3 Parties recognize that many persons own more than one parcel of land within the Basin. The
4 foregoing Release only binds Willis Class Members and only with respect to those properties
5 within the Basin on which they have not pumped water.

6 B. Release By Settling Defendants

7 In addition to the effect of any Final Judgment entered in accordance with this Stipulation,
8 upon this Stipulation becoming final as set out in Paragraph VIII.G of this Stipulation, and in
9 consideration of the settlement consideration set forth above, and for other valuable
10 consideration, the Settling Defendants completely release, acquit and forever discharge Settling
11 Plaintiffs and the Willis Class Members from any and all claims, demands, actions, suits, causes
12 of action, whether class, individual, or otherwise in nature that Settling Defendants, or any of
13 them, ever had, now has, or hereafter can, shall, or may have arising from or relating in any way
14 to the matters at issue in the Willis Action ("Released Claims"). Each Settling Defendant may
15 hereafter discover facts other than or different from those which he, she, or it knows or believes to
16 be true with respect to the claims which are the subject matter of this Stipulation, but each
17 Settling Defendant hereby waives any right to relief from the provisions of this Stipulation in
18 such event, and fully, finally, and forever, settles and releases, upon this Stipulation becoming
19 final, any known or unknown, suspected or unsuspected, contingent or non-contingent claim with
20 respect to the subject matter of the Stipulation, whether or not concealed or hidden, and without
21 regard to the subsequent discovery or existence of such different or additional facts.

22 1. As provided in the Release set forth in Paragraph VII.B, above, the Settling
23 Defendants, including any of Settling Defendants' representatives, successors, agents, affiliates,
24 employees, supervisors, officers, directors, or shareholders, agree to waive and release all rights
25 and benefits which they might otherwise have pursuant to Section 1542 of the California Civil
26 Code with regard to the release of such unknown, unanticipated or misunderstood claims, causes
27 of action, liabilities, indebtedness and obligations.

28 **VIII. MISCELLANEOUS PROVISIONS**

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1 A. No Concession By Any Settling Party

2 It is understood and agreed that this Stipulation represents the compromise of disputed
3 positions with respect to the relevant facts and law. This Stipulation shall not be deemed a
4 concession by any Settling Party as to any fact or the validity or invalidity of any claim or
5 defense.

6 B. Best Efforts and Mutual Cooperation.

7 Settling Plaintiffs and Settling Defendants shall use their best efforts to effectuate this
8 Stipulation and its purpose, and secure the prompt, complete, and final dismissal with prejudice of
9 the Willis Action. The Settling Parties agree to take any and all reasonable steps that may be
10 necessary in that regard, as long as those steps do not require any material deviations from the
11 terms of this Stipulation or impose material new obligations beyond those contemplated by this
12 Stipulation.

13 The Settling Parties recognize that not all parties to the Coordinated Actions have entered
14 into this Stipulation and that a trial may be necessary as against non-settling parties. The Settling
15 Parties agree to cooperate and coordinate their efforts in any such trial or hearing so as to obtain
16 entry of judgment consistent with the terms of this Stipulation; this provision, however, will not
17 require Willis Class counsel to participate in any such trial or render any efforts absent written
18 agreement of Settling Defendants to compensate them for such efforts. Nor shall this Stipulation
19 preclude Settling Plaintiffs from participating in any further proceedings that may affect their
20 rights.

21 C. Adjustments Of Settling Parties' Estimates

22 In the event that the Court enters findings of fact that vary from the estimated amounts
23 that the Settling Parties have agreed to for purposes of this Stipulation (including the length of the
24 Transition Period described in Paragraph V.C.), the Court's findings will be determinative and
25 will supplant the amounts set forth in this Stipulation. For example, if the Court should determine
26 following trial that the Basin's Total Safe Yield is, in fact, 120,000 acre-feet per year (or some
27 other amount), the Court's findings will control.

28 D. Fees And Costs Of Settling Plaintiff's Counsel

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1 The Settling Parties understand that Willis Class counsel intend to seek an award of their
2 fees and costs from the Court. Any such awards will be determined by the Court unless agreed to
3 by the Settling Parties. Settling Defendants will likely oppose the motion for fees and costs. If
4 Willis Class Counsel obtain an award of fees, Settling Defendants agree to exercise their best
5 efforts to pay any fee award within a reasonable period of time or as required pursuant to Court
6 order. Willis Class Counsel agree that they will not seek any attorneys' fees and/or costs from
7 Settling Defendants for any efforts Willis Class Counsel undertake after the Court's entry of Final
8 Judgment approving the Settlement, except with respect to the following: (a) any reasonable and
9 appropriate efforts by Willis Class Counsel to enforce the terms of this Stipulation against
10 Settling Defendants in the event Settling Defendants fail to comply with a provision of this
11 Stipulation; (b) any reasonable and appropriate efforts by Willis Class Counsel to defend against
12 any new or additional claims or causes of action asserted by Settling Defendants against the
13 Willis Class in pleadings or motions filed in the Consolidated Actions; (c) any reasonable and
14 appropriate efforts by Willis Class Counsel that are undertaken in response to a written Court
15 order stating that, pursuant to this provision, Class counsel may seek additional fees for specified
16 efforts from Settling Defendants pursuant to Code of Civil Procedure section 1021.5; (d) any
17 reasonable and appropriate efforts by Willis Class Counsel that are undertaken in response to a
18 written request by Settling Defendants executed by counsel for all Settling Defendants that Class
19 Counsel participate in future aspects of the Consolidated Actions (e.g., the negotiation of a
20 Physical Solution); or (e) any reasonable and appropriate efforts that Willis Class Counsel render
21 to defend a fee award in their favor in the event the Settling Defendants appeal such a fee award
22 and the Court of Appeal affirms the fee award in the amount of 75 percent or more of the fees
23 awarded by the Superior Court. Willis Class Counsel remain free to seek an award of fees from
24 other parties to the litigation.

25 E. Retention Of Jurisdiction

26 The Superior Court of the State of California for Los Angeles County shall retain
27 jurisdiction over the implementation, enforcement, and performance of this Stipulation, and shall
28 have exclusive jurisdiction over any suit, action, proceeding, or dispute arising out of or relating

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1 to this Stipulation or the applicability of this Stipulation.

2 F. Choice Of Law

3 This Stipulation shall be governed and construed by the substantive laws of the State of
4 California.

5 G. Finality

6 a. This Stipulation shall be effective on the Effective Date, which
7 shall occur when the Court has entered a Final Judgment approving this Stipulation and one of the
8 following events occurs; (i) if an appeal is taken, the date of final affirmance of the Final
9 Judgment, or if petition for review is granted by California Supreme Court or writ of certiorari is
10 granted by United States Supreme Court, the date of final affirmance of the Final Judgment
11 following review pursuant to such grant; or (ii) the date of final dismissal of any appeal from
12 Final Judgment or the final dismissal of any proceedings on petition to review the Final
13 Judgment; or (iii) if no appeal is filed, the expiration date of the time for filing or noticing of any
14 appeal from the Final Judgment, i.e., sixty (60) days after notice of entry of the Final Judgment.

15 b. In the event that the Court refuses to approve this Stipulation, or
16 any material part hereof, or if such approval is materially modified or set aside on appeal, or if the
17 Final Judgment is not entered in accordance with this Stipulation, appellate review is sought, and
18 on such review, such Final Judgment is not affirmed as to all material parts, then any of the
19 Settling Parties to the Stipulation have the option to rescind this Stipulation in its entirety. Written
20 notice of the exercise of any such right to rescind shall be made according to the terms of this
21 Paragraph VIII.L below within thirty (30) days of the triggering event.

22 H. Integrated Agreement

23 This Stipulation constitutes the entire, complete and integrated agreement among the
24 Settling Parties, and supersedes all prior or contemporaneous undertakings of the Settling Parties
25 in connection herewith. This Stipulation may not be modified or amended except in writing
26 executed by the Settling Parties and approved by the Court. It shall be construed and interpreted
27 to effectuate the intent of the Settling Parties which is to provide, through this Stipulation, for a
28 complete resolution of the relevant claims between the Settling Parties on the terms provided in

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1 this Stipulation. Notwithstanding the foregoing, the Settling Parties intend and agree that this
2 Stipulation will later be incorporated into a Physical Solution, as defined above, which is
3 consistent with the terms of this Stipulation.

4 I. Waiver

5 The waiver by any Settling Party of its rights under any provision of this Stipulation or of
6 any breach of this Stipulation shall not be deemed a waiver of any other provision or subsequent
7 breach of this Stipulation.

8 J. Intended Beneficiaries

9 This Stipulation shall be binding upon, and inure to the benefit of, the heirs, successors
10 and assigns of the Settling Plaintiffs and Settling Defendants. Without limiting the generality of
11 the foregoing, this Stipulation shall bind each and every subsequent property owner who acquires
12 property in the Basin from a Willis Class Member as well as persons who subsequently acquire
13 such properties.

14 K. Interpretation and Construction

15 The terms of this Stipulation have been arrived at by negotiation and mutual agreement,
16 with consideration of and participation by all Settling Parties and with the advice of counsel.
17 Neither Settling Plaintiffs nor Settling Defendants shall be considered to be the drafter of this
18 Stipulation or any of its provisions for the purpose of any statute, case law, or rule of
19 interpretation or construction that would or might cause any provision to be construed against the
20 drafter of this Stipulation (including but not limited to Civil Code Section 1654). The descriptive
21 headings of any paragraphs or sections of this Stipulation are inserted for convenience only and
22 do not constitute a part of this Stipulation.

23 L. Notices

24 Where this Stipulation requires either party to provide notice or any other communication
25 or document to the other, such notice shall be in writing, and such notice, communication, or
26 document shall be provided by personal delivery, facsimile transmission, overnight delivery, or
27 letter sent by United States mail with delivery confirmation. Notice may be provided to the
28 Settling Parties through their counsel of record at the following addresses:

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California Water Service Company:	Attn: President California Water Service Company 1720 North First Street San Jose, California 95112
with a copy to:	John Tootle California Water Service Company 2632 West 237th Street Torrance, California 90505
City of Palmdale:	Attn: City Manager 38300 Sierra Highway Palmdale, California 93550
with a copy to:	James Markman Richards, Watson & Gerson 355 South Grand Avenue, 40th Floor Los Angeles, California 90071
Littlerock Creek Irrigation District:	Attn: General Manager 35141 87th Street East Littlerock, California 93543
with a copy to:	Wayne Lemieux Lemieux & O'Neill 2393 Townsgate Rd., Suite 201 Westlake Village, California 91361
Los Angeles County Waterworks District No. 40:	Attn: Director 260 East Avenue K-8 Lancaster, California 93535
with a copy to:	Michael Moore Los Angeles county Counsel Office 648 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, California 90012
with a copy to:	Eric L. Garner

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	Best Best & Krieger LLP 3750 University Avenue P.O.B 1028 Riverside, California 92502
Palmdale Water District:	Attn: General Manager 2029 E. Avenue Q Palmdale, California 93550
with a copy to:	Thomas Bunn III Lagerlof, Senecal, Gosney & Kruse, LLP 301 North Lake Avenue, 10th floor Pasadena, California 91101-4108
Palm Ranch Irrigation District:	Attn: General Manger 4871 West Avenue M. (Colombia Way) Quartz Hill, California 93536
with copy to:	Wayne Lemieux Lemieux & O'Neill 2393 Townsgate Rd., Suite 201 Westlake Village, California 91361
Quartz Hill Water District:	Attn: General Manager 42141 N. 50th Street West Quartz Hill, California 93536
with copy to:	Bradley Weeks Charlton Weeks LLP 107 West Avenue M-14, Suite A Palmdale, California 93551
Phelan Pinon Hills Community Services District:	Attn: General Manager 4037 Phelan Road, Suite C-1 Phelan, California 92371
with copy to:	Francis Logan Law Office of Susan Trager 19712 MacArthur Blvd. #120 Irvine, California 92612
Rosamond Community Services District:	Attn: General Manager

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	3179 35th Street W Rosamond California 93560
with a copy to:	Eric L. Garner Best Best & Krieger LLP 3750 University Avenue P.O.Box 1028 Riverside, California 92502
Willis Class:	Rebecca Lee Willis
With a copy to:	Ralph Kalfayan Krause Kalfayan Benink & Slavens LLP 625 Broadway, Ste. 635 San Diego, CA 92101

or to such other address as any Settling Party shall, from time to time, specify in the manner provided herein.

M. No Admissions

Neither this Stipulation, nor any act performed or document executed pursuant to or in furtherance of this Stipulation is or may be deemed to be or may be used as an admission of, or evidence of, (i) the validity of any claim or defense; or (ii) the appropriateness or inappropriateness of any Willis Class Member or other representational capacity, whether contemporaneously with this Stipulation or at any time in the future.

N. Execution

This Stipulation may be executed in counterparts by Settling Plaintiffs and Settling Defendants, and a facsimile signature shall be deemed an original signature for purposes of executing this Stipulation. Each of the undersigned persons represents that he or she is fully authorized to enter into the terms and conditions of and to execute this Stipulation by the party for which he or she has signed the Stipulation.

IN WITNESS HEREOF, the undersigned being duly authorized, have executed this Stipulation on the dates shown below.

Rebecca Lee Willis Approved as to form by: Ralph Kalfayan

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By: Rebecca Lee Willis

California Water Service

By: _____

City of Palmdale

By: _____

Little Rock Creek Irrigation District

By: _____

Los Angeles County Waterworks
District No. 40

By: Juanita Thomas
Chair, Board of Supervisors



Attest:
Sachi A. Hamai,
Executive Officer-Clerk Of the Board of
Supervisors

By: Sachelle Smitherman
DEPUTY

Palmdale Water District

By: _____

SETTLEMENT STIPULATION

By: Reese Kalfay

Approved as to form by: John Tootle

By: _____

Approved as to form by: James Markman

By: _____

Approved as to form by: Wayne Lemieux

By: _____

Approved as to form by:
Andrea Sheridan Ordin, County Counsel

By: Warren R. Wellen
Warren R. Wellen, Principal Deputy
County Counsel

Approved as to form by: Eric L. Garner

By: _____

Approved as to form by: Tom Bunn

By: _____

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BEST, BEST & KRIEGER LLP
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By: _____

California Water Service

By: _____

City of Palmdale

By: James J. Markman

Littlerock Creek Irrigation District

By: _____

Los Angeles County Waterworks
District No. 40

By: _____
Chair, Board of Supervisors

Attest:
Sachi A. Hamai,
Executive Officer-Clerk Of the Board of
Supervisors

By: _____

Palmdale Water District

By: _____

SETTLEMENT STIPULATION

By: _____

Approved as to form by: John Tootle

By: _____

Approved as to form by: James Markman

By: James J. Markman

Approved as to form by: Wayne Lemieux

By: _____

Approved as to form by:
Andrea Sheridan Ordin, County Counsel

By: _____
Warren R. Wellen, Principal Deputy
County Counsel

Approved as to form by: Eric L. Garner

By: _____

Approved as to form by: Tom Bunn

By: _____

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BEST BEST & KRUEGER LLP
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P.O. BOX 1028
RIVERSIDE, CA 92502

1 By: _____

By: _____

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3 California Water Service

Approved as to form by: John Tootle

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5 By: _____

By: _____

6 City of Palmdale

Approved as to form by: James Markman

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8 By: _____

By: _____

9 Littlerock Creek Irrigation District

Approved as to form by: Wayne Lemieux

10

11 By: B. J. Bones

By: Wayne Lemieux

12

13 Los Angeles County Waterworks
District No. 40

Approved as to form by:
Andrea Sheridan Ordin, County Counsel

14

15 By: _____
Chair, Board of Supervisors

By: _____
Warren R. Wellen, Principal Deputy
County Counsel

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22 Attest:
Sachi A. Hamai,
Executive Officer-Clerk Of the Board of
Supervisors

23

24 By: _____

Approved as to form by: Eric L. Garner

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Palmdale Water District

Approved as to form by: Tom Bunn

By: _____

By: _____

SETTLEMENT STIPULATION

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By: _____

California Water Service

By: _____

City of Palmdale

By: _____

Littlerock Creek Irrigation District

By: _____

Los Angeles County Waterworks
District No. 40

By: *[Signature]*
Chair, Board of Supervisors



Attest:
Sachi A. Hamai,
Executive Officer-Clerk Of the Board of
Supervisors

By: *[Signature]*
DEPUTY

Palmdale Water District

By: *[Signature]*

By: _____

Approved as to form by: John Tootle

By: _____

Approved as to form by: James Markman

By: _____

Approved as to form by: Wayne Lemieux

By: _____

Approved as to form by:
Andrea Sheridan Ordin, County Counsel

By: *[Signature]*
Warren R. Wellen, Principal Deputy
County Counsel

Approved as to form by: Eric L. Garner

By: _____

Approved as to form by: Tom Bunn

By: *[Signature]*

SETTLEMENT STIPULATION

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Palm Ranch Irrigation District

Approved as to form by: Wayne Lemieux

By: 

By: 

Phelan Pinon Hills Community Services District

Approved as to form by: Francis Logan

By: _____

By: _____

Quartz Hill Water District

Approved as to form by: Brad Weeks

By: _____

By: _____

Rosamond Community Services Districts

Approved as to form by: Eric L. Garner

By: _____

By: _____

Desert Lake Community Services District

Approved as to form by: Wayne Lemieux

By: _____

By: _____

North Edwards Water District

Approved as to form by: Wayne Lemieux

By: _____

By: _____

SETTLEMENT STIPULATION

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Palm Ranch Irrigation District

Approved as to form by: Wayne Lemieux

By: _____

By: _____

Phelan Pinon Hills Community Services District

Approved as to form by: Francis Logan

By: _____

By: _____

Quartz Hill Water District

Approved as to form by: Brad Weeks

By: C. Gilbert, Jr. Esq.

By: [Signature]

Rosamond Community Services Districts

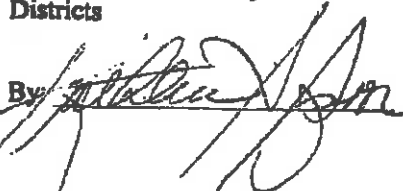
Approved as to form by: Eric L. Garner

By: _____

By: _____

1 Rosamond Community Services
2 Districts

Approved as to form by: Eric L. Garner

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LAW OFFICES OF
ERIC L. GARNER LLP
3750 UNIVERSITY AVENUE, SUITE 400
P.O. BOX 1026
RIVERSIDE, CA 92502

SETTLEMENT STIPULATION

LAW OFFICES OF
BEST BEST & KRIBER LLP
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Palm Ranch Irrigation District

Approved as to form by: **Wayne Lemieux**

By: _____

By: _____

Phelan Pinon Hills Community Services District

Approved as to form by: **Francis Logan**

By: _____

By: _____

Quartz Hill Water District

Approved as to form by: **Brad Weeks**

By: _____

By: _____

Rosamond Community Services Districts

Approved as to form by: **Eric L. Garner**

By: _____

By: _____

Desert Lake Community Services District

Approved as to form by: **Wayne Lemieux**

By: *Salli H. Kestopoulos*

By: *Wayne Lemieux*

North Edwards Water District

Approved as to form by: **Wayne Lemieux**

By: _____

By: *Wayne Lemieux*

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Palm Ranch Irrigation District

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Quartz Hill Water District

Approved as to form by: Brad Weeks

By: _____

By: _____

Rosamond Community Services Districts

Approved as to form by: Eric L. Garner

By: _____

By: _____

Desert Lake Community Services District

Approved as to form by: Wayne Lemieux

By: _____

By: _____

North Edwards Water District

Approved as to form by: Wayne Lemieux

By: *Nellie N. Kestopoulos*

By: *Wayne Lemieux*

