

EXHIBIT 7

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12 **SUPERIOR COURT FOR THE STATE OF CALIFORNIA**
13 **COUNTY OF LOS ANGELES**

14 Coordination Proceeding
Special Title (Rule 1550(b))
15 ANTELOPE VALLEY GROUNDWATER
16 CASES

17 RICHARD A. WOOD, an individual, on
behalf of himself and all others similarly
18 situated,

19 Plaintiff,

20 v.

21 LOS ANGELES COUNTY
22 WATERWORKS DISTRICT NO. 40; et al.

23 Defendants.
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Judicial Council Coordination
Proceeding No. 4408

(Honorable Jack Komar)

Case No.: BC 391869

**DECLARATION OF MICHAEL D.
MCLACHLAN IN SUPPORT OF
MOTION FOR PRELIMINARY
APPROVAL OF PARTIAL CLASS
SETTLEMENT**

Date: October 25, 2013

Time: 9:00 a.m.

Dept: TBD

Exhibit A

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12 (ADDITIONAL COUNSEL ARE LISTED ON SIGNATURE PAGES)

13
14 SUPERIOR COURT OF THE STATE OF CALIFORNIA
15 COUNTY OF LOS ANGELES

16 ANTELOPE VALLEY GROUNDWATER CASES

17 This Pleading Relates to Included Action:
18 RICHARD WOOD, on behalf of himself and all others
similarly situated,

19 Plaintiff,

20 v.

21 LOS ANGELES COUNTY WATERWORKS
DISTRICT NO. 40, et al.

22 Defendants.
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JUDICIAL COUNCIL

COORDINATION
PROCEEDING NO. 4408

Case No. BC391869

**WOOD CLASS STIPULATION
OF SETTLEMENT**

1 This Stipulation of Settlement (the “Stipulation” or “Agreement”) is entered into by and
2 between California Water Service Company, City of Lancaster, Palmdale Water District, Phelan
3 Piñon Hills Community Services District, Quartz Hill Water District, and Rosamond Community
4 Services District, (collectively, “Settling Defendants”), and the Wood Class (as more fully
5 defined below), which consists of certain persons who own property(ies) that overly the Antelope
6 Valley Groundwater Basin (the “Basin”, as more fully defined below) on which they are pumping
7 or have pumped less than 25 acre-feet of groundwater during any one year since 1946. Settling
8 Defendants, Richard Wood, and the Wood Class are collectively referred to as the “Settling
9 Parties,” or individually a “Settling Party.” This Stipulation and the Exhibits hereto set forth the
10 terms of a settlement (the “Settlement”) between and among the Settling Parties compromising
11 and dismissing the claims and defenses they have asserted in the above-captioned action as
12 amongst and between the Settling Parties. The Settlement is subject to approval by the Superior
13 Court of California for Los Angeles County; in the event such approval is denied, cannot be
14 obtained, or is reversed on appeal, this Stipulation shall have no further force or effect, and the
15 Settling Parties shall be able to litigate all of their claims.

16
17 I. THE SETTLING PARTIES

18 A. The Settling Plaintiffs are Richard Wood and the members of the Wood Class, as
19 defined in Paragraph III.Y below.

20 B. The Settling Defendants are as follows:

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

23 2. The City of Lancaster is a municipal corporation in the County of Los
24 Angeles which produces groundwater from the Basin as an overlying owner.

25 3. Palmdale Water District is an irrigation district organized and operating
26 under Division 11 of the California Water Code, which produces groundwater from the Basin to
27 serve customers within the Basin.
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1 4. Rosamond Community Services District is a public agency which produces
2 groundwater from the Basin to serve customers within the Basin.

3 5. Quartz Hill Water District is a county water district organized and
4 operating under Division 12 of the California Water Code. It produces groundwater from the
5 Basin to serve customers within the Basin and its service area.

6 6. Phelan Piñon Hills Community Services District is a public agency
7 organized and operating water services under the California Water Code which produces
8 groundwater from the Basin to serve customers within its service area.

9 II. RECITALS

10 A. On October 29, 1999, Diamond Farming Company filed a quiet title action in Kern
11 County against some of the Settling Defendants seeking clarification of the parties' rights to
12 groundwater in the Antelope Valley. On January 20, 2000, Diamond Farming filed a similar
13 quiet title action in Los Angeles County against various other Settling Defendants. On January
14 25, 2001, William Bolthouse Farms, Inc. filed a quiet title action in Riverside County against
15 various of the Settling Defendants seeking essentially the same relief.

16 B. On or about November 29, 2004, Los Angeles County Waterworks District 40
17 ("District 40") commenced a civil action against Diamond Farming, Bolthouse, and other
18 Overlying Owners in the Basin (more specifically defined in III.N), which later was refiled as a
19 Cross-Complaint (as more specifically defined in III.F.), and which is now pending in the
20 Superior Court for Los Angeles County, seeking, *inter alia*, an adjudication of the respective
21 rights of the parties to produce groundwater from the Basin. On or about July 11, 2005, that case
22 was coordinated with the aforementioned quiet title actions in Judicial Council Coordinated
23 Proceeding 4408, the Antelope Valley Groundwater Cases (hereinafter the "Coordinated
24 Actions").

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

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1 D. On or about March 13, 2007, the Settling Defendants filed the First Amended
2 Cross-Complaint, asserting prescriptive rights as against certain Overlying Owners in the Basin,
3 including the Wood Class Members. The Cities of Lancaster and Palmdale subsequently
4 dismissed their prescriptive rights claims and do not claim any such rights.

5 E. On or about June 2, 2008 Plaintiff, Richard Wood (“Wood”), filed a class action
6 complaint in the Superior Court of the State of California for Los Angeles County (No. BC
7 391869) (the “Wood Action”) in which he alleged that certain Public Water Suppliers had
8 wrongfully claimed prescriptive rights adverse to the rights of the Class. Wood sought, *inter alia*,
9 a declaration that the Settling Defendants had not obtained prescriptive rights as to his or Wood
10 Class Members’ (more specifically defined in III.Z) rights. On or about June 25, 2008, the Wood
11 Action was coordinated as part of the Coordinated Actions.

12 F. By Order dated September 2, 2008, the Court certified Wood as the representative
13 of a Class of certain Overlying Owners (more specifically defined in III.N below) pursuant to
14 Section 382 of the California Code of Civil Procedure and Division 7, Chapter 6 of the California
15 Rules of Court.

16 G. Commencing on July 7, 2009, Notice of the Pendency of the Wood Action was
17 sent by first class mail to all Wood Class Members who could be identified with reasonable effort
18 and a summary notice was published. The deadline for putative Wood Class Members to exclude
19 themselves (as extended) expired on December 4, 2009. The Court has made various orders
20 allowing certain parties to rejoin the Wood Class.

21 H. The Settling Defendants contend that they have prescriptive rights and/or other
22 rights in the Basin’s Native Safe Yield. The Settling Plaintiffs contend that the Settling
23 Defendants have no such prescriptive rights as to them. This Settlement reflects a compromise
24 between the Settling Parties and shall not be construed as an admission or concession by any
25 Settling Party of the truth of any allegation or the validity of any claim or defense asserted in any
26 of the pleadings.

1 III. DEFINITIONS

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

3 A. "Assessment" means any monetary or other levy or charge imposed as part of a
4 Physical Solution, including the cost of replacement water, but excludes a parcel tax dedicated to
5 fund the administrative costs of the Watermaster.

6 B. "Basin" means the Antelope Valley Groundwater Basin as defined in the Court's
7 Order of November 3, 2006. The future modification or adjustment of the Basin boundaries by
8 the Court shall not affect the rights of the Parties as set forth in this Stipulation.

9 C. "Consolidated Actions" means all actions that have been consolidated on February
10 19, 2010 as part of Judicial Council Proceeding No. 4408.

11 D. "Correlative Rights" means the principle of California law, articulated in *Katz v.*
12 *Walkinshaw* (1903) 141 Cal. 116 and subsequent cases, that Overlying Owners with equal rights
13 in a Basin must make reasonable and beneficial use of the water in a basin and that, if the supply
14 of water is insufficient for all reasonable and beneficial needs, each Overlying Owner is entitled
15 to a fair and just proportion of the available water.

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

19 F. "Cross-Complaint" means the legal claims filed by the Settling Defendants, or
20 some of them, commencing with the November 29, 2004 filing of the Complaint in Los Angeles
21 County Superior Court Case No. BC325201 and the December 1, 2004 filing of the Complaint in
22 Kern County Superior Court Case No. S-500-CV 254348, both of which cases were later
23 supplanted by the January 18, 2006 filing of the Cross-Complaint and the March 13, 2007 First
24 Amended Cross-Complaint in the Coordinated Actions.

25 G. "Effective Date" means the date on which the Court has entered an Order
26 approving this Stipulation and one of the following events occur: (i) if an appeal is taken on the
27 Order, the date of final affirmance of the Order, or if petition for review is granted by the
28 California Supreme Court or writ of certiorari by the United States Supreme Court, the date of

1 final affirmance of the Order following review pursuant to such grant; or (ii) the date of final
2 dismissal of any appeal from the Order or the final dismissal of any proceedings on petition to
3 review the Order; or (iii) if no appeal is filed, the expiration date of the time for filing or noticing
4 of any appeal from the Order, i.e., sixty (60) days after entry of Order. However, this Agreement
5 is voidable in its entirety if it does not receive Final Approval (as that term is defined in Section
6 VI.F) at least six months prior to the then pending date for the Phase 6 trial, unless otherwise
7 agreed to by all parties in writing.

8 H. “Final Judgment” means a judgment to be to be entered in the Consolidated
9 Actions.

10 I. “Imported Water” means water within the Basin and that originates outside the
11 Basin that is not part of the Basin’s Native Safe Yield, and that, absent human intervention, would
12 not recharge or be used in the Basin. Imported Water does not include water purchased by the
13 Watermaster with Replacement Assessments or bottled water.

14 J. “Judgment” means the judgment to be entered by the Court in the Wood Action
15 (LASC Case No. BC391869), which incorporates the terms and provisions of this Stipulation, and
16 is substantially in the form attached hereto as Exhibit A.

17 K. “Native Safe Yield” means the amount of pumping, which under a given set of
18 land use and other prevailing cultural conditions, generates Return Flows that, when combined
19 with naturally occurring groundwater recharge to the Basin, result in no long-term depletion of
20 Basin groundwater storage. Pumping of the Settling Parties’ share of Native Safe Yield is not
21 subject to any Replacement Assessment.

22 L. “Non-Settling Party” means any person or entity that is not a Settling Party,
23 including any Wood Class Members that exercise their right to opt-out of this Agreement and
24 non-settling defendants in the Wood Action.

25 M. “Overlying Right” means the appurtenant right of an Overlying Owner to use
26 groundwater from the Native Safe Yield for overlying reasonable and beneficial use.

27 N. “Overlying Owners” means owners of land overlying the Basin who hold an
28 Overlying Right.

1 O. "Physical Solution" means a mechanism that comprehensively resolves the
2 competing claims to the Basin's water, including quantification of water rights, and provides for
3 the management of the Basin. The Settling Parties anticipate that the Wood Class may be subject
4 to a Physical Solution in the future, as set forth in this Agreement.

5 P. "Preliminary Approval Order" means the Court's Order granting preliminary
6 approval to the Settlement set forth herein, directing the manner in which notice of the Settlement
7 shall be provided to the Wood Class, and scheduling a final Hearing for the Court to consider
8 whether to approve the Settlement. The Settling Parties will submit a proposed Preliminary
9 Approval Order in the form attached hereto as Exhibit B.

10 Q. "Recycled Water" is water that has previously been used and then reclaimed for
11 later reuse in the Basin.

12 R. "Replacement Assessment" means the charge imposed on any Settling Party by the
13 Watermaster for producing more water than it is entitled to produce from the Basin under the
14 terms of this Settlement or pursuant to such further orders as the Court may enter in the
15 Consolidated Actions.

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

18 T. "Return Flows" means the amount of water that is put to reasonable and beneficial
19 agricultural, municipal or other use and thereafter returns to the Basin and is part of the Basin's
20 Total Safe Yield.

21 U. "Settlement" or "Agreement" means this Stipulation, and any other exhibits
22 appended hereto.

23 V. "Settlement Class" means any member of the Wood Class who has not opted-out
24 or otherwise been excluded from this Settlement.

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

1 X. "Watermaster" means the person or entity appointed by the Court to monitor and
2 manage the Basin's groundwater, subject to oversight by the Court.

3 Y. "Wood Class" consists of "Wood Class Members" and means the Wood Class as
4 defined in the Court's Order of September 2, 2008, but shall exclude all persons who timely
5 excluded themselves from the Wood Class and have not rejoined the Class or are not admitted
6 into the Class in the future by Order of the Court.¹ The Wood Class consists of the following:

7 All private (*i.e.*, non-governmental) persons and entities that own
8 real property within the Basin, as adjudicated, and that have been
9 pumping less than 25 acre-feet per year on their property during any
10 year from 1946 to the present. The Class excludes the defendants
11 herein, any person, firm, trust, corporation, or other entity in which
12 any defendant has a controlling interest or which is related to or
13 affiliated with any of the defendants, and the representatives, heirs,
14 affiliates, successors-in interest or assigns of any such excluded
15 party. The Class also excludes all persons and entities that are
16 shareholders in a mutual water company.

13 Z. "Wood Class Members" means individual members of the Wood Class who meet
14 the Class definition, and for purposes of this Agreement and any terms pertaining to water rights,
15 where two or more Wood Class Members reside in the same household, they shall be treated as a
16 single Wood Class Member for purposes of determining water rights.

17 IV. SETTLEMENT TERMS

18 In consideration of the covenants and agreements set forth herein, and of the releases and
19 dismissals described below, the Settling Parties agree to settle and compromise the claims that
20 have been asserted or that could have been asserted between and among the Wood Class and the
21 Settling Defendants, subject to Court approval, on the following terms and conditions:

22 A. Native Safe Yield.

23 Some of the Settling Defendants contend that the best estimate of the Basin's Native Safe
24 Yield is 82,300 acre-feet per year. The Wood Class and some of the Settling Defendants contend
25 that the Basin's Native Safe Yield may be higher. The Wood Class agrees not to challenge or
26 otherwise contest that estimate, except as provided in this Agreement. The Settling Parties

27 _____
28 ¹ The Parties agree that as of the Effective Date of this Agreement, the membership of the
Wood Class will be final.

1 understand and agree that, in the absence of stipulation by all parties in the Consolidated Actions,
2 the Court will decide the Basin's Native Safe Yield, and the Settling Parties agree to be bound by
3 the Court's determination in that regard even if some or all of them do not participate in a trial.

4 B. Total Safe Yield.

5 In the Court's Statement of Decision Phase Three Trial, dated July 18, 2011, the Court set
6 Total Safe Yield at 110,000 acre-feet per year.

7 C. Allocation of Native Safe Yield.

8 The Settling Parties agree to be bound by the Court's determination of the amounts of the
9 Basin's Native Safe Yield. The Settling Parties agree that the Settling Defendants and the Wood
10 Class Members each have rights to produce groundwater from the Basin's Native Safe Yield.

11 1. Settling Defendants' Water Rights

12 Settling Defendants (except the City of Lancaster) have asserted in the Consolidated
13 Actions that they have obtained prescriptive rights to the Basin's Native Safe Yield. This
14 Stipulation shall neither be construed to recognize prescriptive rights nor to limit the Settling
15 Defendants' prescriptive claims vis-a-vis the Basin or any Non-Settling Parties, but rather as an
16 agreement to fairly allocate the Settling Parties' respective rights to use the Basin's water. The
17 Wood Class agrees not to contest each Settling Defendant's right to pump the following amounts
18 annually from the Native Safe Yield free of any Replacement Water Assessment, but only if
19 competent evidence is presented to and incorporated by the Court in the Final Judgment and such
20 rights of the Settling Defendants shall not diminish in any way the water rights of the Wood Class
21 as set forth herein:

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<u>Settling Defendant</u>	<u>Acre-Feet</u>
California Water Services Company	756.50
Palmdale Water District	8287.91
Phelan Piñon Hills Community Services District	1053.14

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Quartz Hill Water District	1433.83
Rosamond Community Services District	2752.49

The Wood Class will not take any positions or enter into any agreements that are inconsistent with the exercise of Settling Defendants' rights as set forth herein. Furthermore, the question of overlying rights of the City of Lancaster is not at issue in this agreement and the issue of the parties' overlying rights are expressly excepted from the releases and dismissals set forth in Section VII. This Agreement does not limit the future determination of such overlying rights, if any.

The Wood Class agrees that in the pending and in any future legal or administrative proceedings involving the Basin, the Wood Class and its members and each of them will not object to Phelan Piñon Hills Community Services District's distribution of water pumped from the Basin as defined by the Court during Phases I and II of trial, to areas east of the boundary of the Basin as defined by the Court, provided that Phelan Piñon Hills Community Services District's place of use of the water produced west of the boundary is within the then existing service area of Phelan Piñon Hills Community Services District, and, if Phelan Piñon Hills Community Services District's service area is expanded to the west of the Basin boundary into Los Angeles County, water produced west of the boundary may be used on the Los Angeles side without limitation.

2. Wood Class Members' Pumping Rights

The Wood Class contends that each Wood Class Member household is entitled to the reasonable and beneficial domestic use of up to 3 acre-feet per year on their overlying land. For purposes of this Agreement, in any future proceedings, Settling Defendants agree not to contest that each Wood Class Member may pump up to 3 acre-feet per year assessment free, subject to Court approval, and that such use is subject to a rebuttable presumption that it is domestic until established otherwise by competent evidence.

The Settling Parties agree between and among themselves, that the Wood Class Members

1 have an Overlying Right to a correlative share of the Native Safe Yield for reasonable and
2 beneficial uses on their overlying land. The Settling Defendants will not take any positions or
3 enter into any agreements that are inconsistent with the exercise of the Wood Class Members'
4 Overlying Right to produce and use their correlative share of the Basin's Native Safe Yield.

5 The pumping rights of Wood Class Members are not transferable separately from the
6 parcel of property on which the water is pumped, provided however a Wood Class Member may
7 move their water right to another parcel owned by that Wood Class Member with approval of the
8 Court.

9 D. Applicability.

10 1. Pumping in Excess of 3 AFY. Notwithstanding the reservation of the
11 Court's jurisdiction to determine these matters, the Settling Defendants agree and will not take
12 any positions contrary to the following: (1) Wood Class Members' pumping in excess of 3 acre-
13 feet per year should not be singled out by the Watermaster for a reduction of pumping or
14 Assessment; (2) the Wood Class Members pumping in excess of 3 acre-feet per year should be
15 treated equally to other Overlying Owners that are subject to the Court's jurisdiction; and (3) that
16 any reduction of pumping ordered by the Watermaster should be fair and equitable, including the
17 equivalent treatment of residential Overlying Owners.

18 Pumping Up to 3 AFY. Notwithstanding the reservation of the Court's jurisdiction to
19 determine these matters, the Settling Defendants agree not to take any positions that the pumping
20 rights of Wood Class Members up to and including 3 acre-feet per year should be subject to
21 reduction, unless: (1) such reduction is also applicable to all other Overlying Owners, including
22 those using groundwater for domestic purposes, including without limitation customers of mutual
23 water companies; and (2) the reduction is mandated by Court order after notice to the class
24 members affording a reasonable opportunity for the Court to hear any class member objections to
25 such reduction, which must be consistent with applicable California law, including without
26 limitation, the priority established by Water Code section 106.

27 The Wood Class will not take any position that, should the Court exempt the Wood Class
28 from pumping reductions, such exemption should impact the Settling Defendants' Water Rights

1 or Assessments in any way. The Settling Parties understand that the provisions in Sections IV.A,
2 –IV.C and IV.D are not binding on the Court or parties that are not signatories to this agreement.

3 2. Safe Harbor.

4 The Wood Class Members acknowledge that the Settling Defendants may at trial prove
5 prescriptive rights against all groundwater pumping in the Basin during a prior prescriptive
6 period. If the Settling Defendants do acquire prescriptive rights, those prescriptive rights shall
7 not be exercised to reduce the Wood Class Members' Overlying Rights.

8 3. Correlative Rights Of Overlying Owners

9 The Wood Class Members recognize that other Overlying Owners may have the right to
10 pump correlatively with them a yet to be determined amount of the Native Safe Yield of the Basin
11 for reasonable and beneficial uses on their overlying land. The Settling Defendants agree that the
12 3 acre-foot per year pumping right, set forth in IV.D.2, above, or any lesser amount set by the
13 Court, is subject to a rebuttable presumption the production is domestic use pursuant to California
14 Water Code section 106. The Settling Defendants will not take any position contrary to this
15 paragraph, which is not binding upon the Court or parties that are not signatories to this
16 agreement.

17 V. MANAGEMENT OF THE BASIN

18 A. General.

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

24 B. Physical Solution.

25 1. Subject to future determination by the Court, the Settling Parties expect
26 and intend that as part of this Agreement, the Wood Class will become part of a Physical Solution
27 entered by the Court to manage the Basin and that the Court will retain jurisdiction in the
28 Consolidated Actions. The Settling Parties agree to be part of such a Physical Solution but only

1 to the extent it is consistent with the terms of this Stipulation, and further that it will be subject to
2 Court-administered rules and regulations consistent with California and Federal law.

3 2. The Settling Parties agree, among and between themselves, that the
4 primary means for enforcing the terms of this Agreement and monitoring the Wood Class
5 Members' groundwater use under the Physical Solution will not include metering of wells, but
6 will primarily rely on physical inspection, including aerial photographs. However, the Parties to
7 this Agreement will not oppose the creation of a right held by the Watermaster, upon reasonable
8 belief that a class member household is using in excess of 3 acre-feet per year, to demand the
9 installation of a meter on such class member's well. All Wood Class Members hereby agree to
10 permit the Watermaster to subpoena the electrical meter records associated with their
11 groundwater wells on an annual basis.

12 The Settling Defendants will not advocate or take the position that any metering ordered
13 by the Court or the Watermaster of Wood Class Members' wells should be paid for by the Wood
14 Class Members. The Settling Defendants shall not take a position contrary to the provisions in
15 this Section V.B.2.

16 3. Replacement Water

17 If the Court and/or the Watermaster find that the Basin is overdrafted, the Settling Parties
18 recognize the right of any Settling Party to produce groundwater from the Basin above their share
19 of the Native Safe Yield, subject to any Replacement Assessment. The Wood Class Members
20 whose pumping exceeds the annual production of 3 acre-feet per year, or such other allocation as
21 set by the Court, agree to provide Replacement Water or pay a Replacement Assessment to the
22 Watermaster so that the Watermaster may purchase Imported Water to recharge the Basin for any
23 water usage in excess of the Class Member's allowed production as determined by the
24 Watermaster.

25 The Settling Defendants agree to provide or purchase Imported Water for all groundwater
26 pumping that exceeds a Settling Defendant's share of the Native Safe Yield, or pay a
27 Replacement Assessment to the Watermaster so that the Watermaster may purchase Imported
28 Water to recharge the Basin. These Settling Parties shall not take positions contrary to the

1 provisions in this section V.B.3, which shall not limit the Court’s future authority over a Physical
2 Solution.

3 C. Water Storage.

4 The Settling Parties, among and between themselves only, agree that water storage in the
5 Basin offers significant benefits and should be encouraged. The Settling Parties agree that water
6 storage should be permitted and encouraged and agree to support appropriate provisions in the
7 Physical Solution. The Settling Parties acknowledge that the Court and parties that are not
8 signatories to this agreement are not bound by this paragraph.

9 D. Recycled Water.

10 The Settling Parties agree that it is important to encourage the treatment and use of
11 Recycled Water. The Wood Class agrees not to challenge or otherwise contest Settling
12 Defendants’ claims to Return Flows from Recycled Water that was reclaimed by the Sanitation
13 Districts of Los Angeles County or Rosamond Community Services District, except as provided
14 in this Agreement.

15 VI. PROCEDURES FOR CLASS NOTICE AND HEARING ON MOTIONS FOR
16 PRELIMINARY AND FINAL APPROVAL OF STIPULATION

17 A. Preliminary Approval Motion and Settlement Notice.

18 Settling Plaintiffs shall file a motion for preliminary approval (“Preliminary Approval
19 Motion”) of the terms of the Settlement reached between them on the one hand and Settling
20 Defendants on the other as soon as practicable following execution of this Stipulation by all
21 Settling Parties. The Preliminary Approval Motion will seek entry of an Order Preliminarily
22 Approving Class Action Settlement. The Preliminary Approval Motion shall include a proposed
23 form of notice describing this Stipulation (the “Settlement Notice”) to be disseminated to the
24 Wood Class. The Settling Parties will attempt to agree upon the language for the Settlement
25 Notice, but agree to be bound by the Court’s determination in the event they have any disputes or
26 disagreements in that regard. The Settling Parties agree to use their best efforts to have the
27 Preliminary Approval Motion heard by as promptly as is practical.

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1 B. Manner of Notice to the Class.

2 The Settlement Notice shall be disseminated to all Wood Class Members by an
3 independent third-party administrator (the “Administrator”) under the supervision of Class
4 Counsel. The expenses of class notice will be borne by Settling Defendants. The class notice
5 will be mailed to all Class Members by first class mail within 5 days of the Court’s Preliminary
6 Approval Order. The Administrator shall update the currently available Class Member address
7 list through the use of the National Change of Address database prior to the initial mailing. If the
8 class member database contains an electronic mail address for a Class Member, the Administrator
9 shall send the notice as a Portable Document Format (“PDF”) document in an electronic mail sent
10 to the foregoing address. Class counsel will cause the summary class notice to be published for
11 two consecutive weeks in the Los Angeles Times, Bakersfield Californian, and the Antelope
12 Valley Press. Class Members will be provided with a 30 day period in which to opt-out of the
13 settlement.

14 C. Opt-Out Right.

15 Class Members shall be given the opportunity to opt out of the Settlement Class. All
16 requests by Class Members to be excluded must be in writing and postmarked by the date
17 specified in the Preliminary Approval Order, and as specified in the Notice. All Class Members
18 who exclude themselves from the Settlement will not be bound by any further orders or
19 judgments entered for or against the Settlement Class, will preserve their ability to independently
20 pursue any claims they may have against Settling Defendants by filing their own lawsuit at their
21 own expense, and may be named and served as parties to the Consolidated Actions.

22 D. Opt-In Right.

23 Any person or entity that meets the Class definition to the satisfaction of the Court, and
24 who obtains approval from the Court, may join the Class at any time prior to the entry of the final
25 judgment in *Wood v. Los Angeles County Waterworks District No. 40 et al.*, or at some other time
26 at the discretion of the Court.

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1 E. Objections to the Settlement.

2 Any Class Member who has not previously opted out in accordance with the terms of this
3 Agreement may appear at the hearing on final approval to argue that the proposed Settlement
4 should not be approved. In order to be heard at that hearing, the Class Member must make any
5 objection in writing and file it with the Court on or before the date specified in the Notice
6 pursuant to the Preliminary Approval Order.

7 F. Final Approval Hearing.

8 The Settlement Notice will advise Wood Class Members of the date and time set for a
9 Hearing on the Settling Plaintiffs' Motion for Final Approval of the Stipulation, including
10 advising them of their rights to submit statements in support of or opposition to the Stipulation.
11 The Final Approval Motion shall request that this Court find that the Stipulation is fair,
12 reasonable, and adequate to the Wood Class. If the Court grants final approval, judgment shall be
13 entered in favor of the Settlement Class in a form substantially in accord with Exhibit A hereto, to
14 be approved by the Court.

15 VII. RELEASES AND DISMISSALS

16 A. Release By Settling Plaintiffs.

17 In addition to the effect of any Judgment entered in accordance with this Stipulation, upon
18 this Stipulation becoming final as set out in Paragraph VIII.H of this Stipulation, and in
19 consideration for the settlement consideration set forth above, and for other valuable
20 consideration, the Settling Plaintiffs, except as otherwise expressly provided for herein, shall
21 completely release, acquit and forever discharge the Settling Defendants and their representatives,
22 successors, agents, affiliates, attorneys, employees, supervisors, officers, directors, or
23 shareholders, from any and all claims, demands, actions, suits, causes of action, whether class,
24 individual, or otherwise in nature that Settling Plaintiffs, or each of them, ever had, now has, or
25 hereafter can, shall, or may have on account of or in any way arising out of, any and all known or
26 unknown, foreseen or unforeseen, suspected or unsuspected injuries, damages, and the
27 consequences thereof in any way arising out of or relating in any way to the matters at issue in the
28 Wood Action ("Released Claims"). Each Settling Plaintiff may hereafter discover facts other

1 than or different from those which he, she, or it knows or believes to be true with respect to the
2 claims which are the subject matter of this Stipulation, but each Settling Plaintiff hereby expressly
3 waives and fully, finally, and forever, settles and releases, upon this Stipulation becoming final,
4 any known or unknown, suspected or unsuspected, contingent or non-contingent claim with
5 respect to the subject matter of the provisions of Paragraph VII.A of this section of the
6 Stipulation, whether or not concealed or hidden, without regard to the subsequent discovery or
7 existence of such different or additional facts.

8 1. As provided in the Release set forth in Paragraph VII.A, above, the Settling
9 Plaintiffs, including any of Settling Plaintiffs' representatives, successors, agents, affiliates,
10 employees, supervisors, officers, directors, or shareholders, agree to waive and release all rights
11 and benefits which they might otherwise have pursuant to Section 1542 of the California Civil
12 Code with regard to the release of such unknown, unanticipated or misunderstood claims, causes
13 of action, liabilities, indebtedness and obligations. California Civil Code section 1542 provides
14 that:

15 A General Release does not extend to claims which the creditor does not know or
16 suspect to exist in his or her favor at the time of executing the Release, which if
17 known by him or her must have materially affected his or her settlement with the
18 debtor.

19 2. The Release set forth in Paragraph VII.A, above, does not include claims
20 by any of the Settling Plaintiffs other than the claims set forth therein. In particular, the Settling
21 Parties recognize that many persons own more than one parcel of land within the Basin. The
22 foregoing Release only binds Wood Class Members and only with respect to those properties
23 within the Basin on which they have pumped or are pumping within the terms of the class
24 definition.

25 B. Release By Settling Defendants.

26 In addition to the effect of any Final Judgment entered in accordance with this Stipulation,
27 upon this Stipulation becoming final as set out in Paragraph VIII.H of this Stipulation, and in
28 consideration of the settlement consideration set forth above, and for other valuable
consideration, the Settling Defendants, except as otherwise expressly provided for herein,

1 completely release, acquit and forever discharge Settling Plaintiffs and the Wood Class Members
2 and their representatives, successors, agents, affiliates, attorneys, employees, supervisors,
3 officers, directors, or shareholders, from any and all claims, demands, actions, suits, causes of
4 action, whether class, individual, or otherwise in nature that Settling Defendants, or any of them,
5 ever had, now has, or hereafter can, shall, or may have arising from or relating in any way to the
6 matters at issue in the Wood Action and the Cross-Complaint (“Released Claims”). Each Settling
7 Defendant may hereafter discover facts other than or different from those which he, she, or it
8 knows or believes to be true with respect to the claims which are the subject matter of this
9 Stipulation, but each Settling Defendant hereby waives any right to relief from the provisions of
10 this Stipulation in such event, and fully, finally, and forever, settles and releases, upon this
11 Stipulation becoming final, any known or unknown, suspected or unsuspected, contingent or non-
12 contingent claim with respect to the subject matter of the provisions of Paragraph VII.B of this
13 section of the Stipulation, whether or not concealed or hidden, and without regard to the
14 subsequent discovery or existence of such different or additional facts.

15 As provided in the Release set forth in Paragraph VII.B, above, the Settling Defendants,
16 including any of Settling Defendants’ representatives, successors, agents, affiliates, employees,
17 supervisors, officers, directors, or shareholders, agree to waive and release all rights and benefits
18 which they might otherwise have pursuant to Section 1542 of the California Civil Code with
19 regard to the release of such unknown, unanticipated or misunderstood claims, causes of action,
20 liabilities, indebtedness and obligations. California Civil Code section 1542 provides that:

21 A General Release does not extend to claims which the creditor
22 does not know or suspect to exist in his or her favor at the time of
23 executing the Release, which if known by him or her must have
24 materially affected his or her settlement with the debtor.

24 1. The Release set forth in Paragraph VII.B, above, does not include claims
25 by any of the Settling Defendants other than the claims set forth therein.

26 2. If Settling Defendants have named any Wood Class Members as
27 defendants to the Cross-Complaint, they will promptly dismiss such Wood Class Members upon
28 entry of the Final Judgment. The Settling Defendants stipulate and agree they will not pursue any

1 entry of default or default judgment as to any Wood Class Members after the execution of this
2 Agreement until such time as the Wood Class Action has been dismissed or the Court has entered
3 an order or ruling disapproving of this Agreement, and all applicable appellate rights have expired
4 without approval of this Agreement.

5 VIII. MISCELLANEOUS PROVISIONS

6 A. No Concession By Any Settling Party.

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

11 B. Best Efforts and Mutual Cooperation.

12 Settling Plaintiffs and Settling Defendants shall use their best efforts to effectuate this
13 Stipulation and its purpose. The Settling Parties agree to take any and all reasonable steps that
14 may be necessary in that regard, as long as those steps do not require any material deviations
15 from the terms of this Stipulation or impose material new obligations beyond those contemplated
16 by this Stipulation.

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

25 C. Adjustments of Settling Parties' Estimates.

26 In the event that the Court enters findings of fact that vary from the estimated amounts
27 that the Settling Parties have agreed to for purposes of this Stipulation the Court's findings will be
28 determinative and will supplant the amounts set forth in this Stipulation. For example, if the

1 Court should determine following trial that the Basin’s Native Safe Yield is, in fact, 90,000 acre-
2 feet per year (or some other amount), the Court’s findings will control.

3 D. Fees And Costs of Settling Plaintiff’s Counsel.

4 1. The Settling Parties understand that Wood Class counsel will seek an
5 award of their fees and costs from the Court at the time set for the Final Approval Hearing. In
6 consideration of the foregoing, the Settling Defendants hereby stipulate and agree to each pay the
7 following amounts of fees and costs, as well as the entire cost of the class notice in pro rata
8 shares:

<u>Defendant</u>	<u>Fees</u>	<u>Costs</u>	<u>Total</u>
California Water	\$42,077.43	\$887.82	\$38,399.77
Palmdale Water District	\$576,798.94	\$13,651.46	\$590,450.40
Phelan Piñon Hills CSD	\$35,193.80	\$832.95	\$36,026.75
Quartz Hill Water District	\$100,945.08	\$2,389.13	\$103,334.21
Rosamond CSD	\$107,899.55	\$2,553.73	\$110,453.28

17
18 2. Wood and Wood Class counsel agree to accept no more than the amounts
19 set forth above from the Settling Defendants and further agree not to seek any attorneys’ fees,
20 costs or expenses against the Settling Defendants that are incurred after this Stipulation is
21 executed by all Settling Parties, so long as Settling Defendants abide by the terms of this
22 Stipulation and do not assert further legal claims against any Wood Class Member. Settling
23 Defendants will not oppose the fee application, and waive any right to appeal the award and the
24 right to seek payment over time under Gov. Code section 970 *et seq.* Settling Defendants agree to
25 pay the legal fees and costs within thirty (30) days of the Court’s final approval of this Stipulated
26 Settlement and the fee and cost application.

1 3. Wood and Wood Class counsel shall not request apportionment of any
2 legal fees and costs to the City of Lancaster. Wood and Wood Class Counsel remain free to seek
3 an award of fees from other parties to this litigation, and no portion of this Section VIII.D will
4 apply to other Non-Settling parties. Settling Defendants reserve all rights and remedies to seek
5 payment/reimbursement of attorneys' fees, costs and expenses paid to Wood Class counsel from
6 Non-Settling parties who are not defendants in the Wood Action. By approving this settlement,
7 the Court finds and determines that the Settling Defendants have no further liability for payment
8 of attorneys' fees, costs and expenses, either directly or indirectly, unless: (1) the Judgment is
9 overturned on appeal; (2) the Settling Defendants fail to timely pay the fees and costs, in which
10 Wood Class counsel have the right to reasonable attorneys' fees and costs in collecting said
11 attorney fees and costs; (3) the Settling Defendants, or any of them, initiate any post-Judgment
12 proceedings against the Wood Class requesting relief relating to this Agreement; or (4) Settling
13 Defendants do not initiate further claims against the Wood Class.

14 4. Settling Defendants shall continue to be responsible for satisfying their
15 financial obligations to the Court-appointed expert until such time as the Court enters an Order
16 relieving them of those duties and allocating the costs to the Non-Settling Defendants or other
17 parties to the Consolidated Actions. The Settling Defendants' failure to meet these obligations
18 shall be a material breach of this Agreement. As part of this Stipulation, Settling Defendants
19 intend to bring a motion to be relieved from all then existing Court orders for payment of the
20 Court-appointed expert fees incurred after a date specified by the Court. Such motion will be
21 brought concurrently with the Motion for Final Approval of this Stipulation. If the Court does
22 not grant such motion concurrently with the granting of the Motion for Final Approval, any
23 Settling Defendant may declare this Stipulation null and void as to that Settling Defendant.

24 5. Settling Defendants understand that Class Counsel shall continue to
25 represent the interests of the Class as required by California law, including, for example, litigating
26 issues in the Consolidated Action that occur prior to the Effective Date of this Agreement.

1 E. Incentive Award to Richard Wood.

2 Richard Wood intends to apply for an incentive award to compensate him for his time
3 serving as class representative. He may elect to request the right to pump an additional 2 acre-
4 feet a year free of Assessment, in lieu of the customary monetary payment. As against the
5 Settling Defendants, Richard Wood shall not request or be entitled to any further or additional
6 incentive award. Richard Wood will make this request at a later time upon complete resolution of
7 the Wood Action. The Settling Defendants will not object to this request. As against the Settling
8 Defendants, any request for an incentive award by Richard Wood is limited solely to the right to
9 request an additional two acre-feet a year free of Assessment.

10 F. Retention of Jurisdiction and Post-Judgment Duties of Counsel.

11 1. The Court shall retain jurisdiction over the implementation, enforcement,
12 and performance of this Stipulation, and shall have exclusive jurisdiction over any suit, action,
13 proceeding, or dispute arising out of or relating to this Stipulation or the applicability of this
14 Stipulation.

15 2. It is anticipated that the continuing jurisdiction of the court and/or the
16 implementation of a Physical Solution may continue for many years or potentially in perpetuity.
17 The Parties understand and agree that after the Final Judgment and to the extent consistent with
18 applicable law, Class Counsel shall not have continuing obligations to represent the Class,
19 including without limitation, providing notice to the class of post-judgment proceedings. The
20 Court or the Watermaster shall establish a means of providing notice to the Class of post-
21 judgment proceedings as required by and consistent with all applicable law, but providing at least
22 30-days written notice by first class mail prior to any filing deadlines or hearing dates. Upon
23 consent from individual Class Members, such notice may be provided electronically. The class
24 notice addressed in Section VI.B, above, shall include notice of this provision of the Agreement.

25 G. Choice of Law.

26 This Stipulation shall be governed and construed by the substantive laws of the State of
27 California.

28

1 H. Finality.

2 This Stipulation shall be effective on the Effective Date. In the event that (i) the Court
3 refuses to approve this Stipulation or any material part hereof, or (ii) if such approval is materially
4 modified or set aside on appeal, or (iii) if Judgment is entered in accordance with this Stipulation
5 and appellate review is sought and Judgment is not affirmed as to all material parts, then any of
6 the Settling Parties to the Stipulation have the option to rescind this Stipulation in its entirety.
7 Notice of the exercise of any such right to rescind shall be made according to the terms of
8 Paragraph VIII.L below.

9 I. Integrated Agreement.

10 This Stipulation constitutes the entire, complete and integrated agreement among the
11 Settling Parties, and supersedes all prior or contemporaneous undertakings of the Settling Parties
12 in connection herewith. This Stipulation may not be modified or amended except in writing
13 executed by the Settling Parties and approved by the Court. It shall be construed and interpreted
14 to effectuate the intent of the Settling Parties which is to provide, through this Stipulation, for a
15 complete resolution of the relevant claims between the Settling Parties on the terms provided in
16 this Stipulation. Notwithstanding the foregoing, the Settling Parties intend and agree that this
17 Stipulation will later be incorporated into a Physical Solution, as defined above, which is
18 consistent with the terms of this Stipulation.

19 J. Intended Beneficiaries.

20 This Stipulation shall be binding upon, and inure to the benefit of, the heirs, successors
21 and assigns of the Settling Plaintiffs and Settling Defendants. Without limiting the generality of
22 the foregoing, and to the extent consistent with California law, this Stipulation shall bind each and
23 every subsequent property owner who acquires property in the Basin from a Wood Class Member
24 as well as persons who subsequently acquire such properties.

25 K. Interpretation and Construction.

26 The terms of this Stipulation have been arrived at by negotiation and mutual agreement,
27 with consideration of and participation by all Settling Parties and with the advice of counsel.
28 Neither Settling Plaintiffs nor Settling Defendants shall be considered to be the drafter of this

1 Stipulation or any of its provisions for the purpose of any statute, case law, or rule of
 2 interpretation or construction that would or might cause any provision to be construed against the
 3 drafter of this Stipulation (including but not limited to Civil Code section 1654). The descriptive
 4 headings of any paragraphs or sections of this Stipulation are inserted for convenience only and
 5 do not constitute a part of this Stipulation.

6 L. Notices.

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

California Water Service Company:	<i>Attn:</i> President 1720 North First Street San Jose, California 95112
<i>with a copy to:</i>	John Tootle California Water Service Company 2632 West 237th Street Torrance, California 90505
City of Lancaster	<i>Attn:</i> City Manager 44933 N. Fern Avenue Lancaster, California 93534
<i>with copy to:</i>	Douglas J. Evertz Murphy & Evertz 650 Town Center Drive, Suite 550 Costa Mesa, California 92626
Palmdale Water District:	<i>Attn:</i> General Manager 2029 E. Avenue Q Palmdale, California 93550
<i>with a copy to:</i>	Thomas Bunn III Lagerlof, Senecal, Gosney & Kruse, LLP 301 North Lake Avenue, 10th floor Pasadena, California 91101-4108

1	Quartz Hill Water District:	<i>Attn:</i> General Manager 42141 N. 50th Street West Quartz Hill, California 93536
2		
3	<i>with copy to:</i>	Bradley Weeks Charlton Weeks LLP 1031 West Avenue M-14, Suite A Palmdale, California 93551
4		
5		
6	Phelan Piñon Hills Community Services District:	<i>Attn:</i> General Manager 4176 Warbler Road Phelan, California 92371
7		
8	<i>with copy to:</i>	Wesley A. Miliband Aleshire & Wynder, LLP 18881 Von Karman Avenue, Suite 1700 Irvine, California 92612
9		
10		
11	Rosamond Community Services District:	<i>Attn:</i> General Manager 3179 35th Street W Rosamond, California 93560
12		
13	<i>with a copy to:</i>	Douglas Evertz Murphy & Evertz 650 Town Center Drive, Suite 550 Costa Mesa, California 92626
14		
15		
16		
17	Wood Class:	Michael D. McLachlan Law Offices of Michael D. McLachlan Daniel M. O’Leary Law Office of Daniel M. O’Leary 10490 Santa Monica Boulevard Los Angeles, California 90025
18		
19		
20		

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

23 M. No Admissions.

24 Neither this Stipulation, nor any act performed or document executed pursuant to or in
25 furtherance of this Stipulation, is or may be deemed to be or may be used as an admission of, or
26 evidence of the validity of any claim or defense.

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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.

By: Richard A. Wood
Richard Wood 6 Oct. 2013

California Water Service
By: _____

City of Lancaster
By: _____

Palmdale Water District
By: _____

Approved as to form by:
Michael McLachlan

By: MDL

Approved as to form by:
John Tootle

By: _____

Approved as to form by:
Douglas J. Evertz

By: _____

Approved as to form by:
Thomas S. Bunn III

By: _____

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Quartz Hill Water District

Approved as to form by:
Bradley Weeks

By: _____

By: _____

Rosamond Community Services
Districts

Approved as to form by:
Douglas J. Evertz

By: _____

By: _____

Phelan Piñon Hills Community Services
District

Approved as to form by:
Wesley A. Miliband

By: _____

By: _____

Exhibit B

**SUPERIOR COURT FOR THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES**

RICHARD A. WOOD, an individual, on behalf of
himself and all others similarly situated,

Plaintiff,

v.

LOS ANGELES COUNTY WATERWORKS
DISTRICT NO. 40; et al.

Defendants.

JUDICIAL COUNCIL COORDINATION
PROCEEDING No. 4408

**[proposed] NOTICE OF PARTIAL CLASS
ACTION SETTLEMENT FOR THE “SMALL
PUMPER” CLASS ACTION**

**TO CERTAIN ANTELOPE VALLEY LANDOWNERS WHO HAVE IN THE PAST OR
CURRENTLY PUMP GROUNDWATER ON THEIR PROPERTY: CAREFULLY READ THIS
NOTICE, AS IT MAY AFFECT YOUR RIGHT TO PUMP GROUNDWATER ON YOUR
PROPERTY IN THE FUTURE.**

GENERAL INFORMATION

1. Why was this notice issued?

You have been sent this Notice because as a property owner in the Antelope Valley your rights to pump and use groundwater on your property may be affected by this case. The Court issued this notice because you have a right to know about a proposed partial settlement of a class action lawsuit that the Court has preliminarily approved. If the Court grants final approval and any appeals are resolved, this settlement will resolve certain of your right with the settling defendants, and may impact the future determination of your water rights. This notice explains the lawsuit, the partial settlement, your legal rights, who is in the class, and your options.

2. What is this lawsuit about?

This Class Action lawsuit involves water rights in the Antelope Valley Groundwater Basin. Under California law, property owners have a right to pump and use groundwater (water underneath the surface) on their land. In this case, however, the Court has determined that the naturally available supply of water in the Basin may not be adequate to satisfy everyone who wants to use that water.

Plaintiff Richard Wood brought this action to protect his right and that of other Antelope Valley landowners to pump and use the water under their properties and to obtain compensation for any wrongful taking of their property rights. Mr. Wood claims that he and other landowners have water rights which are superior to the rights of certain public water suppliers to use that water. The public water suppliers claim that their historical pumping has given them superior water rights. If the public water suppliers

win, your rights to use the groundwater under your property may be cut back. The Court has not yet ruled on these claims.

3. Who is involved in this lawsuit?

Plaintiff Richard Wood is the plaintiff and class representative. On his behalf and on behalf of the class he represents, he is suing ten public water suppliers in the Antelope Valley: California Water Service Company; Desert Lake Community Services District; Littlerock Creek Irrigation District; Los Angeles County Waterworks District No. 40; North Edwards Water District; Palmdale Water District; Palm Ranch Irrigation District; Phelan Piñon Hills Community Services District; Quartz Hill Water District; and Rosamond Community Services District. Mr. Wood also sued the cities of Lancaster and Palmdale.

This lawsuit is coordinated with several other lawsuits pending before a single judge, the Honorable Jack Komar. Those other lawsuits involve many other parties who also claim the right to pump groundwater in the Antelope Valley.

4. Why is there a partial settlement?

Some of the defendants wished to resolve their claims with the class at this time, while several others did not wish to settle. Richard Wood will continue to litigate all of the claims against the non-settling defendants.

CLASS MEMBERSHIP

5. How do I know if I am part of the class subject to this settlement?

You have been designated as a class member because records show that you own improved property in the Antelope Valley, and otherwise meet the class definition. The class includes all private (i.e., non-governmental) landowners within the Antelope Valley Groundwater Basin that have pumped groundwater on their property at any time since 1946, with certain exceptions set out below. You were sent a class notice in 2009, and did not choose to opt out of the class at that time.

6. Are there exceptions to being included in the settlement?

You are not in the Class if you fall within one of the categories set forth below:

- A. You have pumped 25 acre-feet or more of groundwater for use on a that parcel in any calendar year since 1946; *or*
- B. You are a shareholder in a mutual water company in the Antelope Valley; *or*
- C. You are already a party to this litigation.

THE PARTIAL SETTLEMENT OF THIS LAWSUIT

7. Who is included in the Settlement?

Richard Wood and the Class are settling with six defendants in this lawsuit: California Water Service Company; Palmdale Water District; Phelan Piñon Hills Community Services District; Quartz Hill Water District; and Rosamond Community Services District.

8. What does the settlement provide?

Of primary benefit to you is the agreement by the settling defendants to drop their prescription claims against you. The prescription claims asserted that these defendants had potentially obtained by way of their adverse historical pumping, a portion of your right to pump water in the Antelope Valley. The settling defendants are agreeing not to challenge the Class' assertion of the right of class members to pump up to 3 acre-feet of water per year for domestic purposes without having to pay a fee to for doing so. Other parties remain free to challenge that water right, which will be determined in the future. Under the settlement, you are agreeing not challenge the settling defendants' right to pump up to a set amount of groundwater each year. The settlement agreement also contains agreements among the parties as to your rights if you pump more than 3 acre feet per year. The Court has not yet ruled on any of these settling parties' water rights, and is not limited in the future by the terms of the settlement. You may read the settlement agreement at: <http://www.avgroundwater.com/smallpumper/wood.cfm>.

9. What happens with class claims against the defendants who are not part of the settlement?

Richard Wood and the class counsel will continue to pursue all of the claims in the lawsuit against the non-settling defendants until those claims are resolved in a future settlement or by order of the court after trial.

10. Does this settlement give me a water right?

No. This settlement does not provide you with Court-determined water right. The Court has not yet determined the water rights of any party, but those determinations are expected to be made in future phases of the proceeding. As set forth above, this settlement may impact the determination of your water right at a future date.

11. What claims against the Settling Defendants am I releasing?

As part of the settlement, you will be releasing (giving up) certain of your legal rights against the settling defendants only. The release in the settlement agreement is as follows:

In addition to the effect of any Judgment entered in accordance with this Stipulation, upon this Stipulation becoming final as set out in Section Paragraph VIII.H of this Stipulation, and in consideration for the settlement consideration set forth above, and for other valuable consideration, the Settling Plaintiffs, except as otherwise expressly provided for herein, shall completely release, acquit and forever discharge the Settling Defendants and their representatives, successors, agents, affiliates, attorneys, employees, supervisors, officers, directors, or shareholders, from any and all claims, demands, actions, suits, causes of action, whether class, individual, or otherwise in nature that Settling Plaintiffs, or each of them, ever had, now has, or hereafter can, shall, or may have on account of or in any way arising out of, any and all known or unknown, foreseen or unforeseen, suspected or unsuspected injuries, damages, and the consequences thereof in any way arising out of or relating in any way to the matters at issue in the Wood Action ("Released Claims"). Each Settling Plaintiff may hereafter discover facts other than or different from those which he, she, or it knows or believes to be true with respect to the claims which are the subject

matter of this Stipulation, but each Settling Plaintiff hereby expressly waives and fully, finally, and forever, settles and releases, upon this Stipulation becoming final, any known or unknown, suspected or unsuspected, contingent or non-contingent claim with respect to the subject matter of the provisions of Paragraph VII.A of this section of the Stipulation, whether or not concealed or hidden, without regard to the subsequent discovery or existence of such different or additional facts.

1. As provided in the Release set forth [] above, the Settling Plaintiffs, including any of Settling Plaintiffs' representatives, successors, agents, affiliates, employees, supervisors, officers, directors, or shareholders, agree to waive and release all rights and benefits which they might otherwise have pursuant to Section 1542 of the California Civil Code with regard to the release of such unknown, unanticipated or misunderstood claims, causes of action, liabilities, indebtedness and obligations. California Civil Code section 1542, provides that:

A General Release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the Release, which if known by him or her must have materially affected his or her settlement with the debtor.

2. The Release set forth [], above, does not include claims by any of the Settling Plaintiffs other than the claims set forth therein. In particular, the Settling Parties recognize that many persons own more than one parcel of land within the Basin. The foregoing Release only binds Wood Class Members and only with respect to those properties within the Basin on which they have pumped or are pumping within the terms of the class definition.

12. Who are the lawyers for the Class?

The lawyers for Richard Wood and class are:

Michael D. McLachlan
LAW OFFICES OF MICHAEL D. McLACHLAN, APC
10490 Santa Monica Boulevard
Los Angeles, California 90025
mike@mclachlanlaw.com

Daniel M. O'Leary
LAW OFFICE OF DANIEL M. O'LEARY
10490 Santa Monica Boulevard
Los Angeles, California 90025
dan@danolearylaw.com

13. How will the lawyers be paid?

The lawyers' fees and case costs will be paid by the settling defendants. You will not be asked to pay legal fees or case costs. Per the terms of the settlement, the parties have agreed to the amounts of the legal fees and case costs, which are set forth in the settlement agreement. The Court will be asked to approve these payments at the time of the final approval hearing.

YOUR OPTIONS

14. What happens if I do nothing at all?

If you do nothing, you will remain in the class and be bound by the terms of the settlement. You will not be able to sue the settling defendants for any of the claims being released by this settlement. You will also be bound by the future decisions in the case, whether favorable or unfavorable. Plaintiff RichardWood and the class attorneys will continue to act as your representatives in this case, and you will not personally be obligated to pay any legal fees or costs of suit.

15. What if do not want to participate in the settlement?

If you wish to be excluded from the settlement, you must complete and mail a valid request for exclusion postmarked by no later than [30 days from mailed notice date] to the Class Administrator identified below. This exclusion request must contain your name, address, signature, and a statement that you wish to be excluded from the Class. If you timely do so, the Court will exclude you from the Class. If you do nothing, you will remain in the Class.

Your exclusion request must be sent to:

Small Pumper Class Action Administrator
c/o Garden City Group
P.O. Box 35015
Seattle, WA 98124 - 3508

16. What happens if I exclude myself from the settlement?

If you opt out of the settlement, it is very likely that you will be sued directly by the public waters supplier defendants because the Court may still need to determine your water right in the future. If you are sued, you will either need to hire your own attorney at your expense or represent yourself in Court.

17. How do I tell the Court I don't like the settlement?

If you're a Class Member, you can object to the settlement if you do not like it. To object, you must send a letter saying that you object to the settlement in *Richard Wood v. Los Angeles County Waterworks District No. 40*. Be sure to include the case number (J.C.C.P. No. 4106), your name, address, telephone number, your signature, and the reasons why you object to the settlement. You must send the objection to these three different places so that they receive it by [10 court days prior to hearing]:

COURT
Clerk of the Court
600 South Commonwealth Avenue
Los Angeles, CA 90005

CLASS COUNSEL
Michael D. McLachlan
LAW OFFICES OF MICHAEL D. McLACHLAN, APC

10490 Santa Monica Boulevard
Los Angeles, California 90025
mike@mclachlanlaw.com

DEFENSE COUNSEL

Thomas S. Bunn III
LAGERLOF, SENEAL, GOSNEY & KRUSE, LLP
301 North Lake Avenue, 10th floor
Pasadena, California 91101
Attorneys for Palmdale Water District

18. When and where will the Court decide whether to grant final approval?

The Court has scheduled a hearing at ____ AM on December __, 2013, at Los Angeles Superior Court, Department/Room __, 111 North Hill Street, Los Angeles, California 90012. At this hearing, the Court will consider whether the settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. The Court will also rule on the request for attorneys' fees and costs. After the hearing, the Court will decide whether to grant final approval of the settlement.

19. May I speak at the hearing?

You are welcome to come to the hearing at your own expense. If you send a written objection, you don't have to come to Court to talk about it. As long as you send your written objection so that it arrives on time, the Court will consider it. You may also pay your own lawyer to attend, but it's not necessary. You may ask the Court for permission to speak at the hearing. To do so, you must send a letter saying that it is your "Notice of Intention to Appear in "Antelope Valley Groundwater Litigation." Be sure to include the case number (J.C.C.P. No. 4408), your name, address, telephone number, and signature. This letter must be received no later than ____ [5 court days prior to hearing], 2013, and be sent to the Clerk of the Court, Class Counsel, and Defense Counsel at the three addresses listed in the answer to Question 17.

GETTING MORE INFORMATION

20. How do I get more information about the settlement?

The class action complaint, certain other documents from the litigation, and some other general information are available at: <http://www.avgroundwater.com/smallpumper/wood.cfm>. You may complete and submit the response form on that website. In addition, that website has a list of answers to certain other questions you may have. That website has an e-mail address for you to obtain information if you have further questions. That website will be updated from time to time to advise you of the status of this litigation. Also, all of the documents filed in the case are available on the court's website at: <http://www.scefilng.org/cases/casehome.jsp?caseId=19>

PLEASE DO NOT CALL OR WRITE THE COURT OR CLERK'S OFFICE. IF YOU HAVE ANY QUESTIONS, PLEASE CONSULT YOUR OWN COUNSEL, VISIT THE WEB SITES LISTED ABOVE, OR WRITE TO CLASS COUNSEL AT THE ADDRESS ABOVE.

Exhibit C

SUMMARY NOTICE OF PROPOSED PARTIAL CLASS ACTION SETTLEMENT IN
WOOD V. LOS ANGELES COUNTY WATERWORKS DIST. NO. 40, ET AL.,
JUDICIAL COUNCIL COORDINATION NO. 4408

This Summary Notice is to advise you that there is a proposed partial settlement of the above referenced class action, which is pending on behalf of certain landowners within the Antelope Valley Groundwater Basin who are pumping or have pumped less than 25 acre-feet of groundwater on their properties during any year from 1946 to the present (with certain specific exceptions). The proposed settlement does not provide any monetary compensation to the class members, but resolves certain potentially adverse claims filed by the settling defendant public water suppliers, including prescription.

On October 25, 2013, the Los Angeles County Superior Court granted preliminary approval of the proposed settlement, subject to further consideration at a fairness hearing scheduled for December ___, 2013. The terms of the proposed settlement, as well as class members' options, are more fully detailed in a Noticed of Proposed Partial Class Settlement mailed to the class members' last known addresses. You may find a copy of that Notice, as well as the Settlement Agreement and other relevant documents at <http://www.avgroundwater.com>. Alternatively, you may call 310-954-8270 to request a copy of the Notice.

THE COURT HAS MADE NO DECISION AS TO LIABILITY AND THIS NOTICE IS
NOT AN EXPRESSION OF ANY OPINION ON THE MERITS OF THE CLAIMS
ASSERTED IN THE ACTION.