

Exhibit A

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES - CENTRAL DISTRICT**

Coordination Proceeding Special Title
(Rule 1550(b))

**ANTELOPE VALLEY
GROUNDWATER CASES**

Judicial Council Coordination Proceeding No.
4408

Santa Clara Case No.: 1-05-CV-049053

Judge: The Honorable Jack Komar, Dept. 17

[PROPOSED] JUDGMENT AND PHYSICAL
SOLUTION

1 A number of Parties have agreed and stipulated to entry of a Judgment consistent with the
2 terms of this Judgment and Physical Solution (hereafter “this Judgment”). The stipulations of the
3 Parties are conditioned upon further proceedings that will result in a Judgment binding all Parties
4 to the Action. The Court, having considered the pleadings, the stipulations of the Parties, and the
5 evidence presented, and being fully informed in the matter, approves the Physical Solution¹
6 contained herein. This Judgment is entered as a Judgment binding on all Parties served or
7 appearing in this Action, including without limitation, those Parties which have stipulated to this
8 Judgment, are subject to prior settlement(s) and judgment(s) of this Court, have defaulted or
9 hereafter stipulate to this Judgment.

10 **I. DESCRIPTION OF LITIGATION**

11 **1. PROCEDURAL HISTORY**

12 **1.1 Initiation of Litigation.**

13 On October 29, 1999, Diamond Farming Company (“Diamond Farming”) filed in
14 the Riverside County Superior Court (Case No. RIC 344436) the first complaint in what would
15 become these consolidated complex proceedings known as the Antelope Valley Groundwater
16 Cases. Diamond Farming's complaint names as defendants the City of Lancaster, Palmdale
17 Water District, Antelope Valley Water Company, Palm Ranch Irrigation District, Quartz Hill
18 Water District, Rosamond Community Services District, and Mojave Public Utility District.

19 On February 22, 2000, Diamond Farming filed another complaint in the Riverside
20 County Superior Court (Case No. RIC 344468). The two Diamond Farming actions were
21 subsequently consolidated.

22 On January 25, 2001, Wm. Bolthouse Farms, Inc. (“Bolthouse”) filed a complaint
23 in the same Court against the same entities, as well as Littlerock Creek Irrigation District and Los
24 Angeles Waterworks Districts Nos. 37 and 40 (Case No. RIC 353840).

25 ¹ A “physical solution” describes an agreed upon or judicially imposed resolution of conflicting claims in a manner
26 that advances the constitutional rule of reasonable and beneficial use of the state’s water supply. (*City of Santa Maria*
27 *v. Adam* (2012) 211 Cal. App. 4th 266, 288.) It is defined as “an equitable remedy designed to alleviate overdrafts
28 and the consequential depletion of water resources in a particular area, consistent with the constitutional mandate to
prevent waste and unreasonable water use and to maximize the beneficial use of this state’s limited resource.”
(*California American Water v. City of Seaside* (2010) 183 Cal. App. 4th 471, 480.)

The Diamond Farming and Bolthouse complaints variously allege that unregulated pumping by these named public agencies (collectively the Public Water Suppliers) has irreparably harmed Diamond Farming and Bolthouse's rights to produce Groundwater from the Antelope Valley Groundwater Basin, and interfered with their rights to put that Groundwater to reasonable and beneficial uses on property they own or lease. Diamond Farming and Bolthouse's complaints seek a determination of their water rights and to quiet title as to the same.

In 2001, the Diamond Farming and Bolthouse actions were consolidated in the Riverside County Superior Court.

In August 2002, a Phase 1 trial commenced in the Riverside County Superior Court in the consolidated Diamond Farming/Bolthouse proceedings for the purpose of determining the geographic boundary of the area to be adjudicated. That Phase 1 trial was not concluded and the Court did not determine any issues or make any factual findings at that time.

1.2 General Adjudication Commenced.

In 2004, Los Angeles County Waterworks District No. 40 (“District No. 40”) initiated a general Groundwater adjudication for the Antelope Valley Ground Water Basin by filing identical complaints for declaratory and injunctive relief in the Los Angeles and Kern County Superior Courts (Los Angeles County Superior Court Case No. BC 325201 and Kern County Superior Court Case No. S-1500-CV 254348). District No. 40's complaints sought a judicial determination of the respective rights of the Parties to produce Groundwater from the Antelope Valley Groundwater Basin.

On December 30, 2004, District No. 40 petitioned the Judicial Council of California for coordination of the above-referenced actions. On June 17, 2005, the Judicial Council of California granted the petition and assigned the “Antelope Valley Groundwater Cases” (Judicial Council Coordination Proceeding No. 4408) to this Court (Santa Clara County Superior Court Case No. 1-05-CV-049053 (Hon. Jack Komar)).

For procedural purposes, the Court requested that District No. 40 refile its complaint as a first amended cross-complaint in the now coordinated proceedings. Joined by the

1 other Public Water Suppliers, District No. 40 filed a first amended cross-complaint seeking
2 declaratory and injunctive relief and an adjudication of the rights to all Groundwater within the
3 Antelope Valley Groundwater Basin. The Public Water Suppliers' cross-complaint, as currently
4 amended, requests an adjudication to protect the public's water supply, prevent water quality
5 degradation, and stop land subsidence. Some of the Public Water Suppliers allege they have
6 acquired prescriptive and equitable rights to the Groundwater in the Basin. They allege the Basin
7 has been in overdraft for more than five consecutive Years and they have pumped water from the
8 Basin for reasonable and beneficial purposes in an open, notorious, and continuous manner. They
9 allege each non-public cross-defendant had actual or constructive notice of these activities,
10 sufficient to establish prescriptive rights in their favor. In order to alleviate overdraft conditions
11 and protect the Basin, the Public Water Suppliers also request a physical solution.

12 **1.3 Other Actions**

13 In response to the Public Water Suppliers first amended cross-complaint,
14 numerous Parties filed cross-complaints seeking various forms of relief.

15 On August 30, 2006, Antelope Valley-East Kern Water Agency ("AVEK") filed a
16 cross-complaint seeking declaratory and injunctive relief and claiming overlying rights and rights
17 to pump the supplemental yield attributable to return flows from State Water Project water
18 imported to the Basin.

19 On January 11, 2007, Rebecca Lee Willis filed a class action complaint in the Los
20 Angeles County Superior Court (Case No. BC 364553) for herself and on behalf of a class of
21 non-pumping overlying property owners ("Non-Pumper Class"), through which she sought
22 declaratory relief and money damages from various public entities. Following certification, the
23 Non-Pumper Class entered into a settlement agreement with the Public Water Suppliers
24 concerning the matters at issue in the class complaint. On September 22, 2011, the Court
25 approved the settlement through an amended final judgment.

26 On June 2, 2008, Richard A. Wood filed a class action complaint for himself and
27 on behalf of a class of small property owners in this action ("Small Pumper Class"), *Wood v. Los*

1 *Angeles Co. Waterworks Dist. 40, et al.*, (Case No.: BC 391869) through which he sought
2 declaratory relief and money damages from various public entities. The Small Pumper Class was
3 certified on September 2, 2008.

4 On February 24, 2010, following various orders of coordination, the Court granted
5 the Public Water Suppliers' motion to transfer and consolidate all complaints and cross-
6 complaints in this matter, with the exception of the complaint in *Sheldon R. Blum, etc. v. Wm.*
7 *Bolthouse Farms, Inc.* (Santa Clara County Superior Court Case No. 1-05-CV-049053), which
8 remains related and coordinated.

9 1.4 McCarran Amendment Issues

10 The Public Water Suppliers' cross-complaint names Edwards Air Force Base,
11 California and the United States Department of the Air Force as cross-defendants, seeking the
12 same declaratory and injunctive relief as sought against the other cross-defendants. This
13 Judgment, or any other determination in this case regarding rights to water, is contingent on a
14 Judgment satisfying the requirements of the McCarran Amendment, 43 U.S.C. §666. The United
15 States reserves all rights to object or otherwise challenge any interlocutory judgment and reserves
16 all rights to appeal a Judgment that does not satisfy the requirements of the McCarran
17 Amendment.

18 1.5 Phased Trials

19 The Court has divided the trial in this matter into multiple phases, four of which
20 have been tried.

21 Through the Phase 1 trial, the Court determined the geographical boundaries of the
22 area adjudicated in this Action which is defined as the Basin. On November 3, 2006, the Court
23 entered an order determining that issue.

24 Through the Phase 2 trial, the Court determined that all areas within the Basin are
25 hydrologically connected and a single aquifer, and that there is sufficient hydraulic connection
26 between the disputed areas and the rest of the Basin such that the Court must include the disputed
27 areas within the adjudication area. The Court further determined that it would be premature to make
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1 **3.5.39 Replacement Obligation.** The obligation of a Producer to pay for
2 Replacement Water for Production of Groundwater from the Basin in any Year in excess of the
3 sum of such Producer's Production Right and Imported Water Return Flows.

4 **3.5.40 Replacement Water.** Water purchased by the Watermaster or
5 otherwise provided to satisfy a Replacement Obligation.

6 **3.5.41 Replacement Water Assessment.** The amount charged by the
7 Watermaster to pay for all costs incurred by the Watermaster related to Replacement Water.

8 **3.5.42 Responsible Party.** The Person designated by a Party as the
9 Person responsible for purposes of filing reports and receiving notices pursuant to the provisions
10 of this Judgment.

11 **3.5.43 Safe Yield.** The amount of annual extractions of water from the
12 Basin over time equal to the amount of water needed to recharge the Groundwater aquifer and
13 maintain it in equilibrium, plus any temporary surplus. [*City of Los Angeles v. City of San*
14 *Fernando* (1975) 14 Cal. 3d 199, 278.]

15 **3.5.44 Small Pumper Class.** All private (i.e., non-governmental)
16 Persons and entities that own real property within the Basin, as adjudicated, and that have been
17 pumping less than 25 acre-feet per Year on their property during any Year from 1946 to the
18 present. The Small Pumper Class excludes the defendants in *Wood v. Los Angeles Co.*
19 *Waterworks Dist. 40, et al.*, any Person, firm, trust, corporation, or other entity in which any such
20 defendants has a controlling interest or which is related to or affiliated with any such defendants,
21 and the representatives, heirs, affiliates, successors-in-interest or assigns of any such excluded
22 party. The Small Pumper Class also excludes all Persons and entities that are shareholders in a
23 mutual water company. The Small Pumper Class does not include those who opted out of the
24 Small Pumper Class.

25 **3.5.45 Small Pumper Class Members.** Individual members of the Small
26 Pumper Class who meet the Small Pumper Class definition, and for purposes of this Judgment
27 and any terms pertaining to water rights, where two or more Small Pumper Class Members reside
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1 **5.1.1 Overlying Production Rights.** The Parties listed in Exhibit 4,
2 attached hereto and incorporated herein by reference, have Overlying Production Rights. Exhibit
3 4 sets forth the following for each Overlying Production Right: (1) the Pre-Rampdown
4 Production; (2) the Production Right; and (3) the percentage of the Production from the Adjusted
5 Native Safe Yield.

6 **5.1.1.1** The Parties listed on Exhibit 4 have the right to Produce
7 Groundwater, on an annual basis, up to their Overlying Production Right set forth in Exhibit 4 for
8 each Party. Each Party's Overlying Production Right is subject to the following conditions and
9 limitations:

10 **5.1.1.2** Pursuant to the terms of this Judgment, the Parties listed on
11 Exhibit 4 have the right to Produce their Overlying Production Right for use on land they own or
12 lease and without the need for Watermaster approval.

13 **5.1.1.3** Overlying Production Rights may be transferred pursuant to
14 the provisions of Paragraph 16 of this Judgment.

15 **5.1.1.4** Overlying Production Rights are subject to Pro-Rata
16 Reduction or Increase only pursuant to Paragraph 18.5.10.

17 **5.1.2 Non-Pumper Class Rights.** The Non-Pumper Class members
18 claim the right to Produce Groundwater from the Native Safe Yield for reasonable and beneficial
19 uses on their overlying land as provided for in this Judgment. On September 22, 2011, the Court
20 approved the Non-Pumper Class Stipulation of Settlement through an amended final judgment
21 that settled the Non-Pumper Class' claims against the Public Water Suppliers ("Non-Pumper
22 Class Judgment"). A copy of the Non-Pumper Class Judgment and the Non-Pumper Class
23 Stipulation of Settlement are attached for reference only as Appendices A and B. This Judgment
24 is consistent with the Non-Pumper Class Stipulation of Settlement and Judgment. Future
25 Production by a member of the Non-Pumper Class is addressed in the Physical Solution.

26 **5.1.2.1** The Non-Pumper Class members shall have no right to
27 transfer water pursuant to this Judgment.

1 **5.1.3 Small Pumper Class Production Rights.** Subject only to the
2 closure of the Small Pumper Class membership, the Small Pumper Class's aggregate Production
3 Right is 3806.4 acre-feet per Year. Allocation of water to the Small Pumper Class is set at an
4 average Small Pumper Class Member amount of 1.2 acre-feet per existing household or parcel
5 based upon the 3172 known Small Pumper Class Member parcels at the time of this Judgment.
6 Any Small Pumper Class Member may Produce up to and including 3 acre-feet per Year per
7 existing household for reasonable and beneficial use on their overlying land, and such Production
8 will not be subject to Replacement Water Assessment. Production by any Small Pumper Class
9 Member above 3 acre-feet per Year per household or parcel will be subject to Replacement Water
10 Assessment, as set forth in this Judgment. Administrative Assessments for unmetered Production
11 by Small Pumper Class Members shall be set based upon the allocation of 1.2 acre-feet per Year
12 per household or parcel, whichever is the case; metered Production shall be assessed in accord
13 with the actual Production. A Small Pumper Class Member who is lawfully, by permit, operating
14 a shared well with an adjoining Small Pumper Class Member, shall have all of the same rights
15 and obligations under this Judgment without regard to the location of the shared well, and such
16 shared use is not considered a prohibited transfer of a pumping right under Paragraph 5.1.3.3.

17 **5.1.3.1** The Production of Small Pumper Class Members of up to 3
18 acre-feet per Year of Groundwater per household or per parcel for reasonable and beneficial use
19 shall only be subject to reduction if: (1) the reduction is based upon a statistically credible study
20 and analysis of the Small Pumper Class' actual Native Safe Yield Production, as well as the
21 nature of the use of such Native Safe Yield, over at least a three Year period; and (2) the
22 reduction is mandated by Court order after notice to the Small Pumper Class Members affording a
23 reasonable opportunity for the Court to hear any Small Pumper Class Member objections to such
24 reduction, including a determination that Water Code section 106 may apply so as to prevent a
25 reduction.

26 **5.1.3.2** The primary means for monitoring the Small Pumper Class
27 Members' Groundwater use under the Physical Solution will be based on physical inspection by
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1 the Watermaster, including the use of aerial photographs and satellite imagery. All Small Pumper
2 Class Members agree to permit the Watermaster to subpoena the electrical meter records
3 associated with their Groundwater wells on an annual basis. Should the Watermaster develop a
4 reasonable belief that a Small Pumper Class Member household is using in excess of 3 acre-feet
5 per Year, the Watermaster may cause to be installed a meter on such Small Pumper Class
6 Member's well at the Small Pumper Class Member's expense.

7 **5.1.3.3** The pumping rights of Small Pumper Class Members are
8 not transferable separately from the parcel of property on which the water is pumped, provided
9 however a Small Pumper Class Member may move their water right to another parcel owned by
10 that Small Pumper Class Member with approval of the Court. If a Small Pumper Class Member
11 parcel is sold, absent a written contract stating otherwise and subject to the provisions of this
12 Judgment, the water right for that Small Pumper Class Member parcel shall transfer to the new
13 owners of that Small Pumper Class Member parcel. The pumping rights of Small Pumper Class
14 Members may not be aggregated for use by a purchaser of more than one Small Pumper Class
15 Member's property.

16 **5.1.3.4** Defaults or default judgments entered against any Small
17 Pumper Class Member who did not opt out of the Small Pumper Class are hereby deemed non-
18 operative and vacated *nunc pro tunc*, but only with respect to their ownership of real property
19 meeting the Small Pumper Class definition.

20 **5.1.3.5** The Small Pumper Class shall be permanently closed to new
21 membership upon issuance by the Court of its order granting final approval of the Small Pumper
22 Class Settlement (the "Class Closure Date"), after the provision of notice to the Class of the Class
23 Closure Date. Any Person or entity that does not meet the Small Pumper Class definition prior to
24 the Class Closure Date is not a Member of the Small Pumper Class. Similarly, any additional
25 household constructed on a Small Pumper Class Member parcel after the Class Closure Date is
26 not entitled to a Production Right as set forth in Paragraphs 5.1.3 and 5.1.3.1.

1 **5.1.3.6** Unknown Small Pumper Class Members are defined as: (1)
2 those Persons or entities that are not identified on the list of known Small Pumper Class Members
3 maintained by class counsel and supervised and controlled by the Court as of the Class Closure
4 Date; and (2) any unidentified households existing on a Small Pumper Class Member parcel prior
5 to the Class Closure Date. Within ten (10) Court days of the Class Closure Date, class counsel
6 for the Small Pumper Class shall publish to the Court website and file with the Court a list of the
7 known Small Pumper Class Members.

8 **5.1.3.7** Given the limited number of additions to the Small Pumper
9 Class during the more than five Years since the initial notice was provided to the Class, the Court
10 finds that the number of potentially unknown Small Pumper Class Members and their associated
11 water use is likely very low, and any Production by unknown Small Pumper Class Members is
12 hereby deemed to be *de minimis* in the context of this Physical Solution and shall not alter the
13 Production Rights decreed in this Judgment. However, whenever the identity of any unknown
14 Small Pumper Class Member becomes known, that Small Pumper Class Member shall be bound
15 by all provisions of this Judgment, including without limitation, the assessment obligations
16 applicable to Small Pumper Class Members.

17 **5.1.3.8** In recognition of his service as class representative, Richard
18 Wood has a Production Right of up to five 5 acre-feet per Year for reasonable and beneficial use
19 on his parcel free of Replacement Water Assessment. This Production Right shall not be
20 transferable and is otherwise subject to the provisions of this Judgment.

21 **5.1.4 Federal Reserved Water Right.** The United States has a right to
22 Produce 7,600 acre-feet per Year from the Native Safe Yield as a Federal Reserved Water Right
23 for use for military purposes at Edwards Air Force Base and Air Force Plant 42. *See Cappaert v.*
24 *United States*, 426 U.S. 128, 138 (1976); *United States v. New Mexico*, 438 U.S. 696, 700 (1978).
25 Maps of the boundaries of Edwards Air Force Base and Plant 42 are attached hereto as Exhibits 6
26 and 7. The United States may Produce any or all of this water at any time for uses consistent with
27 the purposes of its Federal Reserved Water Right. Water uses at Edwards Air Force Base and
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1 Plant 42 as of the date of this Judgment are consistent with the military purposes of the facilities.
2 The Federal Reserved Water Right to Produce 7,600 acre-feet per Year is not subject to
3 Rampdown or any reduction including Pro-Rata Reduction due to Overdraft.

4 **5.1.4.1** In the event the United States does not Produce its
5 entire 7,600 acre-feet in any given Year, the unused amount in any Year will be allocated to the
6 Non-Overlying Production Rights holders, except for Boron Community Services District and
7 West Valley County Water District, in the following Year, in proportion to Production Rights set
8 forth in Exhibit 3. This Production of unused Federal Reserved Water Right Production does not
9 increase any Non-Overlying Production Right holder's decreed Non-Overlying Production Right
10 amount or percentage, and does not affect the United States' ability to fully Produce its Federal
11 Reserved Water Right as provided in Paragraph 5.1.4 in any subsequent Year. Upon entry of a
12 judgment confirming its Federal Reserved Water Rights consistent with this Judgment, the United
13 States waives any rights under State law to a correlative share of the Groundwater in the Basin
14 underlying Edwards Air Force Base and Air Force Plant 42.

15 **5.1.4.2** The United States is not precluded from acquiring State law
16 based Production Rights in excess of its Federal Reserved Water Right through the acquisition of
17 Production Rights in the Basin.

18 **5.1.5 State of California Production Rights.** The State of California
19 shall have a Production Right of 207 acre-feet per Year from the Native Safe Yield and shall have
20 the additional right to Produce Native Safe Yield as set forth in Paragraphs 5.1.5.3 and 5.1.5.4
21 below. This Production of Native Safe Yield shall not be subject to Pro-Rata Reduction. Any
22 Production by the State of California above 207 acre-feet per Year that is not Produced pursuant
23 to Paragraphs 5.1.5.3 and 5.1.5.4 below shall be subject to Replacement Assessments. All
24 Production by the State of California shall also be subject to the Administrative Assessment and
25 the Balance Assessment except in emergency situations as provided in Paragraph 5.1.5.4.3 below.
26 Any Production of Native Safe Yield pursuant to Paragraphs 5.1.5.3 and 5.1.5.4 below shall not
27 reduce any other Party's Production Rights pursuant to this Judgment.

1 construed as requiring Lancaster to have any responsibility for constructing, or in any way
2 contributing to the cost of, any infrastructure necessary to deliver Recycled Water to the National
3 Soccer Complex.

4 **5.1.8 Antelope Valley Joint Union High School District.** Antelope
5 Valley Joint Union High School District is a public school entity duly organized and existing
6 under the laws of the State of California. In addition to the amounts allocated to Antelope Valley
7 Joint Union High School District (“AVJUHS”) and pursuant to Exhibit 4, AVJUHS can
8 additionally produce up to 29 acre-feet of Groundwater for reasonable and beneficial uses on its
9 athletic fields and other public spaces. When recycled water becomes available to Quartz Hill
10 High School (located at 6040 West Avenue L, Quartz Hill, CA 93535) which is a site that is part
11 of AVJUHS, at a price equal to or less than the lowest cost of any of the following:
12 Replacement Obligation, Replacement Water, or other water that is delivered to AVJUHS at
13 Quartz Hill High School, AVJUHS will stop producing the 29 acre-feet of Groundwater
14 allocated to it and use recycled water as a replacement to its 29 acre-feet production. AVJUHS
15 retains its production rights and allocation pursuant to Exhibit 4 of this Judgment.

16 **5.1.9 Construction of Solar Power Facilities.** Any Party may Produce
17 Groundwater in excess of its Production Right allocated to it in Exhibit 4 for the purpose of
18 constructing a facility located on land overlying the Basin that will generate, distribute or store
19 solar power through and including December 31, 2016 and shall not be charged a Replacement
20 Water Assessment or incur a Replacement Obligation for such Production in excess of its
21 Production Rights. Any amount of such production in excess of the Production Right through
22 and including December 31, 2016 shall be reasonable to accomplish such construction but shall
23 not exceed 500 acre-feet per Year for all Parties using such water.

24 **5.1.10 Production Rights Claimed by Non-Stipulating Parties.** Any
25 claim to a right to Produce Groundwater from the Basin by a Non-Stipulating Party shall be
26 subject to procedural or legal objection by any Stipulating Party. Should the Court, after taking
27 evidence, rule that a Non-Stipulating Party has a Production Right, the Non-Stipulating Party

1 shall be subject to all provisions of this Judgment, including reduction in Production necessary to
2 implement the Physical Solution and the requirements to pay assessments, but shall not be
3 entitled to benefits provided by Stipulation, including but not limited to Carry Over pursuant to
4 Paragraph 15 and Transfers pursuant to Paragraph 16. If the total Production by Non-Stipulating
5 Parties is less than seven percent (7%) of the Native Safe Yield, such Production will be
6 addressed when Native Safe Yield is reviewed pursuant to Paragraph 18.5.9. If the total
7 Production by Non-Stipulating Parties is greater than seven percent (7%) of the Native Safe
8 Yield, the Watermaster shall determine whether Production by Non-Stipulating Parties would
9 cause Material Injury, in which case the Watermaster shall take action to mitigate the Material
10 Injury, including, but not limited to, imposing a Balance Assessment, provided however, that the
11 Watermaster shall not recommend any changes to the allocations under Exhibits 3 and 4 prior to
12 the redetermination of Native Safe Yield pursuant to Paragraph 18.5.9. In all cases, however,
13 whenever the Watermaster re-determines the Native Safe Yield pursuant to Paragraph 18.5.9, the
14 Watermaster shall take action to prevent Native Safe Yield Production from exceeding the Native
15 Safe Yield on a long-term basis.

16 **5.2 Rights to Imported Water Return Flows.**

17 **5.2.1 Rights to Imported Water Return Flows.** Return Flows from
18 Imported Water used within the Basin which net augment the Basin Groundwater supply are not a
19 part of the Native Safe Yield. Subject to review pursuant to Paragraph 18.5.11, Imported Water
20 Return Flows from Agricultural Imported Water use are 34% and Imported Water Return Flows
21 from Municipal and Industrial Imported Water use are 39% of the amount of Imported Water
22 used.

23 **5.2.2 Water Imported Through AVEK.** The right to Produce Imported
24 Water Return Flows from water imported through AVEK belongs exclusively to the Parties
25 identified on Exhibit 8, attached hereto, and incorporated herein by reference. Each Party shown
26 on Exhibit 8 shall have a right to Produce an amount of Imported Water Return Flows in any
27 Year equal to the applicable percentage multiplied by the average amount of Imported Water used
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1 Producer must Produce its full Production Right before any Carry Over water, or any other water,
2 is Produced. Carry Over water will be Produced on a first-in, first-out basis. At the end of the
3 Carry Over period, the Producer may enter into a Storage Agreement with the Watermaster to
4 store unproduced portions, subject to terms and conditions in the Watermaster's discretion. Any
5 such Storage Agreements shall expressly preclude operations, including the rate and amount of
6 extraction, which will cause a Material Injury to another Producer or Party, any subarea or the
7 Basin. If not converted to a Storage Agreement, Carry Over water not Produced by the end of the
8 tenth Year reverts to the benefit of the Basin and the Producer no longer has a right to the Carry
9 Over water. The Producer may transfer any Carry Over water or Carry Over water stored
10 pursuant to a Storage Agreement.

11 **16. TRANSFERS.**

12 **16.1 When Transfers are Permitted.** Pursuant to terms and conditions to be
13 set forth in the Watermaster rules and regulations, and except as otherwise provided in this
14 Judgment, Parties may transfer all or any portion of their Production Right to another Party so
15 long as such transfer does not cause Material Injury. All transfers are subject to hydrologic
16 review by the Watermaster Engineer.

17 **16.2 Transfers to Non-Overlying Production Right Holders.** Overlying
18 Production Rights that are transferred to Non-Overlying Production Right holders shall remain on
19 Exhibit 4 and be subject to adjustment as provided in Paragraph 18.5.10, but may be used
20 anywhere in the transferee's service area.

21 **16.3 Limitation on Transfers of Water by Antelope Valley United Mutuals**
22 **Group.** After the date of this Judgment, any Overlying Production Rights pursuant to Paragraph
23 5.1.1, rights to Imported Water Return Flows pursuant to Paragraph 5.2, rights to Recycled Water
24 pursuant to Paragraph 5.3 and Carry Over water pursuant to Paragraph 15 (including any water
25 banked pursuant to a Storage Agreement with the Watermaster) that are at any time held by any
26 member of the Antelope Valley United Mutuals Group may only be transferred to or amongst
27 other members of the Antelope Valley United Mutuals Group, except as provided in Paragraph
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16.3.1. Transfers amongst members of the Antelope Valley United Mutuals Group shall be separately reported in the Annual Report of the Watermaster pursuant to Paragraphs 18.4.8 and 18.5.17. Transfers amongst members of the Antelope Valley United Mutuals Group shall not be deemed to constitute an abandonment of any member's non-transferred rights.

16.3.1 Nothing in Paragraph 16.3 shall prevent Antelope Valley United Mutuals Group members from transferring Overlying Production Rights to Public Water Suppliers who assume service of an Antelope Valley United Mutuals Group member's shareholders.

16.4 Notwithstanding section 16.1, the Production Right of Boron Community Services District shall not be transferable. If and when Boron Community Services District permanently ceases all Production of Groundwater from the Basin, its Production Right shall be allocated to the other holders of Non-Overlying Production Rights, except for West Valley County Water District, in proportion to those rights.

17. CHANGES IN POINT OF EXTRACTION AND NEW WELLS. Parties may change the point of extraction for any Production Right to another point of extraction so long as such change of the point of extraction does not cause Material Injury. A replacement well for an existing point of extraction which is located within 300 feet of a Party's existing well shall not be considered a change in point of extraction.

17.1 Notice of New Well. Any Party seeking to construct a new well in order to change the point of extraction for any Production Right to another point of extraction shall notify the Watermaster at least 90 days in advance of drilling any well of the location of the new point of extraction and the intended place of use of the water Produced.

17.2 Change in Point of Extraction by the United States. The point(s) of extraction for the Federal Reserved Water Right may be changed, at the sole discretion of the United States, and not subject to the preceding limitation on Material Injury, to any point or points within the boundaries of Edwards Air Force Base or Plant 42. The point(s) of extraction for the Federal Reserved Water Right may be changed to points outside the boundaries of

1 Edwards Air Force Base or Plant 42, provided such change in the point of extraction does not
2 cause Material Injury. In exercising its discretion under this Paragraph 17.2, the United States
3 shall consider information in its possession regarding the effect of Production from the intended
4 new point of extraction on the Basin, and on other Producers. Any such change in point(s) of
5 extraction shall be at the expense of the United States. Nothing in this Paragraph is intended to
6 waive any monetary claim(s) another Party may have against the United States in federal court
7 based upon any change in point of extraction by the United States.

8 **18. WATERMASTER**

9 **18.1 Appointment of Initial Watermaster.**

10 **18.1.1** Appointment and Composition: The Court hereby appoints a
11 Watermaster. The Watermaster shall be a five (5) member board composed of one representative
12 each from AVEK and District No. 40, a second Public Water Supplier representative selected by
13 District No. 40, Palmdale Water District, Quartz Hill Water District, Littlerock Creek Irrigation
14 District, California Water Service Company, Desert Lake Community Services District, North
15 Edwards Water District, City of Palmdale, City of Lancaster, Palm Ranch Irrigation District, and
16 Rosamond Community Services District, and two (2) landowner Parties, exclusive of public
17 agencies and members of the Non-Pumper and Small Pumper Classes, selected by majority vote
18 of the landowners identified on Exhibit 4 (or their successors in interest) based on their
19 proportionate share of the total Production Rights identified in Exhibit 4. The United States may
20 also appoint a non-voting Department of Defense (DoD) Liaison to the Watermaster committee to
21 represent DoD interests. Participation by the DoD Liaison shall be governed by Joint Ethics
22 Regulation 3-201. The opinions or actions of the DoD liaison in participating in or contributing
23 to Watermaster proceedings cannot bind DoD or any of its components.

24 **18.1.2** Voting Protocol for Watermaster Actions:

25 **18.1.2.1** The Watermaster shall make decisions by unanimous vote
26 for the purpose of selecting or dismissing the Watermaster Engineer.
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