# Exhibit F

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12	(ADDITIONAL COUNSEL ARE LISTED ON SIGNA	ATURE PAGES)
13	Superior Court of the	State of California
14	County of Lo	s Angeles
15	ANTELORE MALLEY OR OLDINATER	TIDIOIAL COLINICII
16	ANTELOPE VALLEY GROUNDWATER CASES	JUDICIAL COUNCIL COORDINATION PROCEEDING NO. 4408
17 18	This Pleading Relates to Included Action: REBECCA LEE WILLIS, on behalf of herself and all others similarly situated,	Case No. BC 364553
19	Plaintiff,	
20	<b>v.</b>	WILLIS CLASS STIPULATION OF SETTLEMENT
21	LOS ANGELES COUNTY WATERWORKS	
22	DISTRICT NO. 40; CITY OF LANCASTER; CITY OF LOS ANGELES; CITY OF	
23	PALMDALE; PALMDALE WATER DISTRICT; LITTLEROCK CREEK	
24	IRRIGATION DISTRICT; PALM RANCH IRRIGATION DISTRICT; PALM RANCH	
25	IRRIGATION DISTRICT; QUARTZ HILL WATER DISTRICT; ANTELOPE VALLEY	
26	WATER CO.; ROSAMOND COMMUNITY SERVICES DISTRICT; and DOES 1 through	
27	1,000;	
28	Defendants.	
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This Stipulation of Settlement (the "Stipulation" or "Agreement") is entered into this 13 day of 2010 by and between California Water Service Company, City of Palmdale, Littlerock Creek Irrigation District, Los Angeles Waterworks District No. 40 ("District 40"), Palmdale Water District, Palm Ranch Irrigation District, Phelan Pinon Hills Community Services District, Ouartz Hill Water District, and Rosamond Community Services District, Desert Lake Community Services District and North Edwards Water District (collectively, "Settling Defendants"), on the one hand, and Rebecca Lee Willis and the Willis Class (as more fully defined below), which consists of certain persons who own property(ies) that overly the Antelope Valley Groundwater Basin (the "Basin") on which they do not and have not pumped groundwater, on the other hand. Settling Defendants, Rebecca Lee Willis, and the Willis Class are collectively referred to as the "Settling Parties," or individually a "Settling Party." This Stipulation and the Exhibits hereto set forth the terms of a settlement (the "Settlement") between and among the Settling Parties compromising and dismissing the claims and defenses they have asserted in the above-captioned action. The Settlement is subject to approval by the Superior Court of California for Los Angeles County; in the event such approval is denied, cannot be obtained, or is reversed on appeal, this Stipulation shall have no further force or effect, and the Settling Parties shall be returned to their respective positions in the litigation prior to execution of this Stipulation.

#### I. THE SETTLING PARTIES

- A. The Settling Plaintiffs are Rebecca Lee Willis and the members of the Willis Class, as defined in paragraph II, D below.
  - B. The Settling Defendants are as follows:
- 1. California Water Service Company is a California corporation which extracts groundwater from the Basin to serve customers within the Basin.
- 2. The City of Palmdale is a municipal corporation in the County of Los Angeles which receives water from the Basin.
- 3. Littlerock Creek Irrigation District is a public agency which produces groundwater from the Basin to serve customers within the Basin.

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

- 5. Palmdale Water District is an irrigation district organized and operating under Division 11 of the California Water Code, which produces groundwater from the Basin to serve customers within the Basin.
- 6. Palm Ranch Irrigation District is a public agency which produces groundwater from the Basin to serve customers within the Basin.
- 7. Rosamond Community Services District is a public agency which produces water from the Basin which it provides to customers within the Basin.
- 8. Quartz Hill Water District is a county water district organized and operating under Division 12 of the California Water Code. It produces water from the Basin.
- 9. Phelan Pinon Hills Community Services District is a public water supplier which produces water from the Basin.
- 10. Desert Lake Community Services District is a public agency which produces groundwater from the Basin.
- 11. North Edwards Water district is a public agency which produces groundwater from the Basin.

#### II. RECITALS

A. On or about November 29, 2004, District 40 commenced a civil action against Overlying Owners (more specifically defined in III. M) in the Basin, which is now pending in the Superior Court for Los Angeles County, seeking, inter alia, an adjudication of their respective rights to produce groundwater from the Basin. On or about July 11, 2005, that case was coordinated with several quiet title actions that had been brought by Basin landowners, which also sought a declaration of the parties' rights to produce and use the Basin's groundwater.

Antelope Valley Groundwater Cases, No. 1-05-CV049053 (JCCP 4408) (hereinafter the "Coordinated Actions"). The Coordinated Actions are pending before the Honorable Jack Komar.

	B.	On or about October 10, 2006, the Court held an initial phase of trial with respect
to	the boundar	ies of the Basin. The Court issued an Order on November 3, 2006, defining the
Ва	sin for purp	oses of this litigation.

- C. On or about January 11, 2007 Plaintiff, Rebecca Lee Willis ("Willis"), filed a class action complaint in the Superior Court of the State of California for Los Angeles County (No. BC 364553) (the "Willis Action") in which she alleged that certain Public Water Suppliers had wrongfully claimed prescriptive rights to the Basin's groundwater. Willis sought, inter alia, a declaration that the Settling Defendants had not obtained prescriptive rights as to her or Willis Class Members (more specifically defined in III.X). On or about April 10, 2007, the Willis Action was coordinated as part of the Coordinated Actions.
- D. By Order dated September 11, 2007 (as amended by Orders dated May 22, 2008 and September 2, 2008), the Court certified Willis as the representative of a Class of certain Overlying Owners (more specifically defined in if III.M. below) pursuant to Section 382 of the California Code of Civil Procedure and Division 7, Chapter 6 of the Rules of Court.
- E. In early January 2009, Notice of the Pendency of the Willis Action was sent by first class mail to all Willis Class Members (more specifically defined in III.X below) who could be identified with reasonable effort and a summary notice was published. The deadline for putative Willis Class Members to exclude themselves (as extended) expired on August 30, 2009. The Court has made various orders allowing certain parties to rejoin the Willis Class.
- F. The Settling Parties have actively discussed potential settlement for much of this year. On or about September 2, 2009, the Settling Parties engaged in mediation before the Honorable Ronald Robie during the course of which counsel for most of the parties reached an agreement in principle to settle the Willis Action, subject to the negotiation of a final settlement agreement, client approvals, and approval by the Court.
- G. On or about February 19, 2010, the Court entered an Order Transferring and Consolidating Actions for All Purposes (hereinafter the "Consolidated Actions").
- H. Over the course of the last three years, the Settling Plaintiffs' counsel have conducted a thorough investigation of the facts and law relating to the matters at issue in the SETTLEMENT STIPULATION

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

- I. The Settling Defendants contend that they have prescriptive rights to substantially more than 15% of the Basin's Native Safe Yield. The Settling Plaintiffs contend that the Settling Defendants have no such prescriptive rights as to them. This Settlement reflects a compromise between the Settling Parties and shall not (1) be construed as an admission or concession by any Settling Party of the truth of any allegation or the validity of any claim or defense asserted in any of the pleadings, (2) be construed to prejudice the rights, claims, or defenses of any persons who are not Settling Parties, or (3) be construed to prejudice the rights, claims, or defenses (whether asserted or potential) of any Settling Party vis-à-vis any non-settling party.
- J. The United States owns property within the Basin as to which it claims a Federal Reserved Right to produce groundwater.

#### III. DEFINITIONS

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

- A. "Assessments" means any monetary or other levy or charge imposed as part of a Physical Solution.
- B. "Basin" means the Antelope Valley Groundwater Basin as defined in the Court's Order of November 3, 2006.
- C. "Consolidated Actions" means all actions that have been or subsequently were coordinated as part of Judicial Council Coordination Proceeding No. 4408 and all actions that have been or subsequently were consolidated pursuant to the Court's Order from February 19, 2010.
- D. "Correlative Rights" means the principle of California law, articulated in Katz v. Walkinshaw (1903) 141 Cal. 116 and subsequent cases, that Overlying Owners may make reasonable and beneficial use of the water in a Basin and that, if the supply of water is insufficient SETTLEMENT STIPULATION

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

- E. "Court" means the Honorable Jack Komar, sitting by designation as a Judge of the Superior Court of Los Angeles County or such other Judge as may be designated by the Judicial Conference to hear JCCP No. 4408.
- F. "Effective Date" means the date on which the Court's Judgment granting final approval to the Settlement becomes final and not subject to further appeal.
- G. "Federal Reserved Right" is the principle originally articulated in Winters v. United States (1908) 207 U.S. 564 and more recently in *Cappaert v. United States* (1976) 426 U.S. 128, which holds that when the Federal Government reserves land from the public domain, it impliedly reserves sufficient water to serve the purposes for which the lands were reserved, and the quantity of reserved water is limited to the amount necessary to fulfill the purposes of the reserved land. The United States contends that the Federal Reserved Right entitles the United States to a prior and paramount right to a portion of the Native Safe Yield.
- H. "Federally Adjusted Native Safe Yield" for any given year means the Basin's Native Safe Yield less the actual annual production of the United States' during the prior year pursuant to its Federal Reserved Right.
- I. "Final Judgment" means a final judgment to be entered by the Court in the above matter, which approves the terms and provisions of this Stipulation, and is substantially in the form attached hereto as Exhibit A.
- J. "Imported Water" means water that enters the Basin and that originates outside the Basin that is not part of the Basin's Native Safe Yield, and that, absent human intervention, would not recharge or be used in the Basin. Imported Water does not include water purchased by the Watermaster with Replacement Assessments or bottled water.
- K. "Native Safe Yield" means the amount of pumping, which under a given set of land use and other prevailing cultural conditions, generates Return Flows that, when combined with naturally occurring groundwater recharge to the Basin, results in no long-term depletion of

- L. "Overlying Right" means the appurtenant right of an Overlying Owner to use groundwater from the Native Safe Yield for overlying reasonable and beneficial use.
- M. "Overlying Owners" means owners of land overlying the Basin who hold an Overlying Right.
- N. "Physical Solution" means a mechanism that comprehensively resolves the competing claims to the Basin's water and provides for the management of the Basin. The Settling Parties anticipate that this Settlement will later be incorporated into a Physical Solution.
- O. "Preliminary Approval Order" means the Court's Order granting preliminary approval to the Settlement set forth herein, directing the manner in which notice of the Settlement shall be provided to the Willis Class, and scheduling a final Hearing for the Court to consider whether to approve the Settlement. The Settling Parties will submit a proposed Preliminary Approval Order in the form appended as Exhibit B hereto.
- P. "Recycled Water" means water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource..
- Q. "Replacement Assessment" means the charge imposed on any Settling Party by the Watermaster for producing more water than it is entitled to produce from the Basin under the terms of this Settlement or pursuant to such further orders as the Court may enter in the Coordinated Actions.
- R. "Replacement Water" means water purchased by the Watermaster to offset production in excess of a Settling Party's share of Total Safe Yield.
- S. "Return Flows" means the amount of water that is put to reasonable and beneficial agricultural, municipal or other use and thereafter returns to the Basin and is part of the Basin's Total Safe Yield.
  - T. "Settlement" means this Stipulation, including the Exhibits appended hereto.

U. "To	otal Safe Yield" means the amount of pumping, which under a given set of land
use and other prev	railing cultural conditions generates Return Flows that, when combined with
naturally occurrin	g groundwater recharge to the Basin and Return Flows derived from Imported
Water, results in n	o long-term depletion of Basin groundwater storage.

- V. "Transition Period" means the period of time provided for in the Physical Solution during which the parties' right to produce water from the Native Safe Yield free from Replacement Assessment will decrease to amounts that total no more than that party's share of Native Safe Yield.
- W. "Watermaster" means the person or entity appointed by the Court to monitor and manage the Basin's groundwater, subject to oversight by the Court.
- X. "Willis Class" or "Willis Class Members" means the Willis Class as defined in the Court's Order of September 11, 2007, as amended by the Court's Orders of May 22, 2008, and September 2, 2008, but shall exclude all persons who timely excluded themselves from the Willis Class and have not rejoined the Willis Class. The Willis Class consists of the following:

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

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

# IV. SETTLEMENT TERMS

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

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

#### A. Native Safe Yield.

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

#### B. Total Safe Yield.

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

#### C. Federal Reserved Right.

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

#### D. Allocation Of Federally Adjusted Native Safe Yield.

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

# 1. Settling Defendants' Water Rights

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

# 2. Willis Class Members' Pumping Rights

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

#### a. Safe Harbor.

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

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

#### 3. Correlative Rights Of Overlying Landowners

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

# 4. Return Flows From Imported Water

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

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

# V. MANAGEMENT OF THE BASIN

#### A. General

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

#### B. Physical Solution

The Settling Parties expect and intend that this Stipulation will become part of a Physical SETTLEMENT STIPULATION

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

#### C. Transition Period.

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

#### D. Replacement Water.

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

#### E. Water Storage

The Settling Parties agree that water storage in the Basin offers significant benefits and SETTLEMENT STIPULATION - 12 -

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

#### F. Recycled Water

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

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

## A. Preliminary Approval Motion and Settlement Notice.

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

#### B. Final Approval Hearing.

The Settlement Notice will advise Willis Class Members of the date and time set for a

Hearing on the Settling Plaintiffs' Motion for Final Approval of the Stipulation, including

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

#### VII. RELEASES AND DISMISSALS

#### A. Release By Settling Plaintiffs

In addition to the effect of any Final Judgment entered in accordance with this Stipulation, upon this Stipulation becoming final as set out in Section VIII, Paragraph G of this Stipulation, and in consideration for the settlement consideration set forth above, and for other valuable consideration, the Settling Plaintiffs shall completely release, acquit and forever discharge the Settling Defendants 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 Willis 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 noncontingent claim with respect to the subject matter of the Stipulation, whether or not concealed or hidden, without regard to the subsequent discovery or existence of such different or additional facts. 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.

2. The Release set forth in Paragraph VII.A, 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 Willis Class Members and only with respect to those properties within the Basin on which they have not pumped water.

#### B. Release By Settling Defendants

In addition to the effect of any Final Judgment entered in accordance with this Stipulation, upon this Stipulation becoming final as set out in Paragraph VIII.G of this Stipulation, and in consideration of the settlement consideration set forth above, and for other valuable consideration, the Settling Defendants completely release, acquit and forever discharge Settling Plaintiffs and the Willis Class Members from any and all claims, demands, actions, suits, causes of action, whether class, individual, or otherwise in nature that Settling Defendants, or any of them, ever had, now has, or hereafter can, shall, or may have arising from or relating in any way to the matters at issue in the Willis Action ("Released Claims"). Each Settling Defendant 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 Defendant hereby waives any right to relief from the provisions of this Stipulation in such event, 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 Stipulation, whether or not concealed or hidden, and without regard to the subsequent discovery or existence of such different or additional facts.

1. As provided in the Release set forth in Paragraph VII.B, above, the Settling Defendants, including any of Settling Defendants' 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.

#### VIII. MISCELLANEOUS PROVISIONS

#### A. No Concession By Any Settling Party

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

#### B. Best Efforts and Mutual Cooperation.

Settling Plaintiffs and Settling Defendants shall use their best efforts to effectuate this

Stipulation and its purpose, and secure the prompt, complete, and final dismissal with prejudice of
the Willis Action. The Settling Parties agree to take any and all reasonable steps that may be
necessary in that regard, as long as those steps do not require any material deviations from the
terms of this Stipulation or impose material new obligations beyond those contemplated by this
Stipulation.

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

# C. Adjustments Of Settling Parties' Estimates

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

D. Fees And Costs Of Settling Plaintiff's Counsel SETTLEMENT STIPULATION - 16 -

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

### E. Retention Of Jurisdiction

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

- 17 -

to this Stipulation or the applicability of this Stipulation.

#### F. Choice Of Law

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

#### G. Finality

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

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

#### H. Integrated Agreement

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

- 18 -

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

#### I. Waiver

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

#### J. Intended Beneficiaries

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

#### K. Interpretation and Construction

The terms of this Stipulation have been arrived at by negotiation and mutual agreement, with consideration of and participation by all Settling Parties and with the advice of counsel.

Neither Settling Plaintiffs nor Settling Defendants shall be considered to be the drafter of this Stipulation or any of its provisions for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Stipulation (including but not limited to Civil Code Section 1654). The descriptive headings of any paragraphs or sections of this Stipulation are inserted for convenience only and do not constitute a part of this Stipulation.

#### L. Notices

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

LAW OFFICES OF
BEST BEST & KRIEGER ILP
3750 UNIVERSITY AVENUE, SUITE 400
P.O. BOX 1028
RIVERSIDE, CA 92502

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

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

LAW OFFICES OF	BEST BEST & KRIEGER LLP	3750 UNIVERSITY AVENUE, SUITE 400	P.O. BOX 1028	RIVERSIDE CA 92502

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

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

#### M. No Admissions

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

#### N. Execution

This Stipulation may be executed in counterparts by Settling Plaintiffs and Settling

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

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

Rebecca Lee Willis
SETTLEMENT STIPULATION

Approved as to form by: Ralph Kalfayan

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	3	California Water Service	Approved as to form by: John Tootle
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	5	By:	Ву:
	6	City of Palmdale	Approved as to form by: James Markman
	7	By:	Ву:
	8		
2	9	Littlerock Creek Irrigation District	Approved as to form by: Wayne Lemieux
SUITE 400	10	By:	By:
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RIEGI ENUE 1028 7A 92	12	Los Angeles County Waterworks District No. 40	Approved as to form by: Andrea Sheridan Ordin, County Counsel
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BEST UNIV	15	MOI TOTAL	County Counsel
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	20	Attest: Sachi A. Hamai,	
	21	Executive Officer-Clerk Of the Board of Supervisors	
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	25	Palmdale Water District	Approved as to form by: Tom Bunn
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	5	Phelan Pinon Hills Community	Approved as to form by: Francis Logan		
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	9	Quartz Hill Water District	Approved as to form by: Brad Weeks		
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	5 6	Phelan Pinon Hills Community Services District	Approved as to form by: Francis Logan		
	7 8	By:	By:		
	9	Quartz Hill Water District	Approved as to form by: Brad Weeks		
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	5 6	Phelan Pinon Hills Community Services District	Approved as to form by: Francis Logan
	7 8	By:	By:
	9	Quartz Hill Water District	Approved as to form by: Brad Weeks
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	12 13	Rosamond Community Services Districts	Approved as to form by: Eric L. Garner
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	15 16	Desert Lake Community Services District	Approved as to form by: Wayne Lemieux
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