

A RESOLUTION OF THE CHINO BASIN WATERMASTER TO ESTABLISH
TERMS AND CONDITIONS UNDER WHICH WATERMASTER MAY HOLD
WATER RIGHTS IN TRUST FOR THE PARTIES TO THE JUDGMENT
CONSISTENT WITH THE JUDGMENT AND THE PEACE AGREEMENT.

WHEREAS, the Judgment in the Chino Basin Adjudication, *Chino Basin Municipal Water District v. City of Chino, et al.*, San Bernardino Superior Court Case No. RCV. 51010, created the Watermaster and directed it to perform the duties as provided in the Judgment or ordered or authorized by the Court in the exercise of the Court's continuing jurisdiction; and

WHEREAS, paragraph 19 of the Judgment states that: "Watermaster may purchase, lease, acquire and hold all necessary facilities and equipment; provided, that it is not the intent of the Court that Watermaster acquire any interest in real property or substantial capital assets"; and

WHEREAS, the paragraph 5.1 (h) of the Peace Agreement provides a construction of paragraph 19 of the Judgment by the parties thereto in which it is declared that: "Watermaster shall not own Recharge projects, including but not limited to spreading grounds, injection wells, or diversion works. It shall never own real property. However, Watermaster may own water rights in trust for the benefit of the parties to the Judgment"; and

WHEREAS, this interpretation of paragraph 19 was unanimously approved by each of the respective parties, the Advisory Committee and the Watermaster Board in approving the Peace Agreement; and

WHEREAS, consistent with the parties' written construction, Watermaster has long held two water rights, identified as Permit 19895 and Permit 20753, to surface water in the Chino Basin without objection from any party to the Judgment; and

WHEREAS, surface water has been previously allocated inter-se among the parties to the 1978 Judgment, and Watermaster has made efforts to preserve and protect the continued and expanded recharge of Basin water for the benefit of all parties to the Judgment; and

WHEREAS, many of the parties to the judgment have signed the Santa Ana River and Chino Basin Water Right Accord dated September 15, 2000, which represents an agreement between the Chino Basin parties and the Orange County Water District contemplates that Watermaster may file an application to appropriate water "in trust" on behalf of the parties to the Judgment; and

WHEREAS, the principal mechanism of the Santa Ana River and Chino Basin Water Right Accord through which the Chino Basin parties can protect their right to use the surface water is through an application filed by Watermaster with the State Water Resources Control Board requesting a confirmation of those rights; and

WHEREAS, such water rights should not belong to any individual entity since the recharge goals of the Optimum Basin Management Program ("OBMP") are intended to benefit the Chino Basin as a whole as a common pool resource; and

WHEREAS, the parties to the Judgment continue to believe that the best way to secure the rights to utilize the surface water resources of the Chino Basin is through water rights held by the Watermaster as trustee for the parties to the Judgment; and

WHEREAS, Watermaster has held numerous meetings, workshops and hearings with stakeholders and parties to the Judgment coincident with the approval of the Peace Agreement and subsequent filing of an application to appropriate water, representing that the proposed construction of

paragraph 19 of the Judgment means that water rights held by Watermaster will be held solely for the benefit of the parties to the Judgment, all without objection by any person; and

WHEREAS, a consistent construction has been memorialized and published in the Post-Order Memorandum dated October 26, 2000, and in the Watermaster Request for Ratification and Confirmation of Authority to Prosecute a Water Rights petition, Water Rights Application to Appropriate and to Hold Water Rights in Trust dated October 15, 2001; and

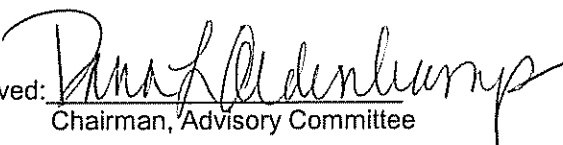
WHEREAS, the parties to the Judgment believe that it would be beneficial for Watermaster to determine the limitations upon Watermaster's authority with regard to Water Rights held in trust by Watermaster; and

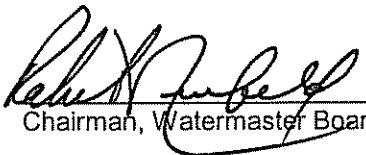
WHEREAS, Watermaster intends to establish a trust and hold such water rights subject to certain equitable duties to deal with the property for the benefit of the parties to the Judgment.

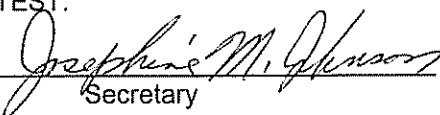
NOW THEREFORE, IT IS HEREBY RESOLVED AND DETERMINED THAT:

1. Definitions.
 - a. "Watermaster" means the entity created by the Court in the Judgment in the Chino Basin Adjudication, *Chino Basin Municipal Water District v. City of Chino, et al.*, San Bernardino Superior Court Case No. RCV 51010, as it exists as an entity separate from any of the entities of which it is constituted.
 - b. "Water Rights" means any permit or license issued by the State Water Resources Control Board for the use of water.
 - c. "Party to the Judgment" means a party to the Judgment in the Chino Basin Adjudication, *Chino Basin Municipal Water District v. City of Chino, et al.*, San Bernardino County Superior Court Case NO. RCV 51010.
2. Watermaster shall hold the Water Rights as trustee for the benefit of the Parties to the Judgment in accordance with the terms and conditions of this Resolution.
3. The Water Rights shall be held by Watermaster in a fiduciary capacity, and Watermaster shall have no substantive rights with regard to the Water Rights held by it.
4. The Water Rights shall be used and managed by Watermaster in accordance with the terms, conditions and requirements of the Judgment and the Peace Agreement and in furtherance of the Optimum Basin Management Program.
5. Watermaster may not sell, lease, transfer, or in any way encumber said Water Rights except at the express direction of the Parties to the Judgment as expressed through the three Pool Committees, the advisory committee and the board and as approved by the Court.
6. Watermaster may only take actions regarding the Water Rights it holds that are in the best interests of the Parties to the Judgment considered as a whole, which interest shall be determined solely through the expression the three Pool committees, the Advisory Committee and the Board.
7. Watermaster shall deal impartially with the Parties to the Judgment and shall act impartially in communicating with them and in managing the Water Rights, taking into account any differing interests of the Parties to the Judgment.

8. Watermaster shall act in the highest good faith towards the Parties to the Judgment, and must not use its position to gain any advantage over the Parties to the Judgment.
9. Any benefits in whatever form that are derived from the Water Rights shall inure to the Parties to the Judgment according to the preference of the Parties to the Judgment as expressed by the three Pool Committees, the Advisory Committee and the Board.
10. Watermaster shall not use or deal with the Water Rights for its own profit or for any other purpose unconnected with the trust, nor take part in any transaction in which it has an interest adverse to any Party to the Judgment.
11. Watermaster shall pay, contest, release, prosecute, adjust, compromise, or settle any claim involving the Water Rights only at the express direction of the Parties to the Judgment expressed through the three Pool Committees, the Advisory Committee and the Board and as approved by the Court.
12. Watermaster shall keep the Parties to the Judgment reasonably informed of its administration of the Water Rights.
13. Upon reasonable request by a Party to the Judgment, Watermaster shall make full disclosure of information relevant to that Party's beneficial interest in the Water Rights.
14. Watermaster shall keep accurate and complete records and shall provide an annual accounting to each Party to the Judgment of the quantity of water used under the Water Rights and the nature of such use.

Approved: 
Chairman, Advisory Committee


Chairman, Watermaster Board

ATTEST:

Secretary

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, Josephine Johnson, Secretary of the Chino Basin Watermaster, DO
HEREBY CERTIFY that the foregoing Resolution being No. 01-16, was adopted on October 25, 2001 at
a regular meeting of the Chino Basin Watermaster Board by the following vote:

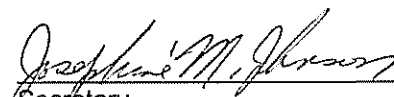
AYES:

NOES:

ABSENT:

ABSTAIN:

CHINO BASIN WATERMASTER


Secretary