

## SETTLEMENT AND GENERAL RELEASE AGREEMENT

This Settlement and General Release Agreement ("Agreement") is entered into by and between Roxanne Carpenter and Ray Rasmussen (collectively "Plaintiffs") on the one hand, and South Mountain Water Company, Inc., City of Redlands and Michael L. Huffstutler (collectively "South Mountain") on the other hand. Plaintiffs together with South Mountain shall be referred to herein as the "Parties."

### RECITALS

A. On or about July 9, 1997, Plaintiffs filed that action entitled Rasmussen et al. v. South Mountain Water Company, Inc., et al., San Bernardino County Superior Court Case No. SCV 30919 ("Subject Action").

B. South Mountain has answered and denied all of the allegations contained in the complaint.

C. Plaintiffs on the one hand and South Mountain on the other hand now desire to fully and finally settle and resolve any and all rights, claims, disputes, causes of action and alleged claims which currently exist, or may exist in favor of the parties, including, but not limited to, all claims arising out of Plaintiffs relationship and/or dealings with South Mountain and/or any of their employees, officers, representatives and/or agents, whether set forth in the Subject Action or not. The parties expressly intend that this settlement shall further pertain to any claims for

attorneys' fees, witness fees, and/or other costs, and any alleged claims for abuse of process, malicious prosecution, etc., in connection with the Subject Action.

### AGREEMENT AND RELEASE

In consideration of the following provisions and covenants, the Parties agree and release each other as follows:

1. The Recitals are incorporated into and made terms of the Agreement.
2. South Mountain agrees to pay Plaintiffs the sum of \$5,000.00 as full and final consideration for all of the claims asserted by Plaintiffs against South Mountain arising out of or relating to the Subject Action. This payment shall be made as follows:
  - A. One check in the amount of \$2,500.00 shall be made payable to Roxanne Carpenter.
  - B. One check in the amount of \$2,500.00 shall be made payable to Ray Rasmussen.
3. Each party shall bear its own attorney's fees and costs (including costs of expert witnesses or other consultants), if any, and costs incurred, if any, in connection with the Subject Action.

4. In further consideration of this agreement, the Plaintiffs shall immediately dismiss the Subject Action, with prejudice.

5. In further consideration of this agreement, South Mountain may dispose of all personal property that is currently being held by South Mountain that may belong to the Plaintiffs in any manner that it sees fit, without notice to the Plaintiffs, and without any further consideration to the Plaintiffs.

6. In further consideration of this Agreement and in recognition of the benefits to be derived therefrom, the Parties hereby release, and fully and finally and forever discharge each other, their respective, related, affiliated and/or parent entities, including, without limitation, each of their servants, agents, employees, insurers, officers, directors, attorneys, and representatives, past and present, from any and all damages, losses, payments, demands, accounts, claims, causes of action, obligations or liabilities, related to the Subject Action, settlement or claim, whether known or unknown, suspected or unsuspected, which any Party now owns or at any time owned or held, or shall or may hereafter own or hold.

7. With respect to the subject matter of the releases described herein, it is the intention of the Parties hereto that the releases entered into as part of this Agreement shall be effective as a bar to all damages, losses, payments, demands, accounts, claims causes of action, obligations or liabilities, of whatsoever character, nature and kind, known or unknown, suspected or unsuspected. In furtherance of which intention the Parties expressly waive any and all right

and benefit conferred upon them by the provisions of section 1542 of the California Civil Code, which reads as follows:

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

8. The parties agree and mutually acknowledge that this Agreement is for settlement purposes only. Neither this Agreement nor any action taken pursuant to this Agreement shall constitute any admission of any wrongdoing, fault, violation of law, or liability of any kind on the part of the parties hereto, or any admission by and of the parties of any claim or allegations made in any action against such party. This Agreement is entered into, in substantial part, to avoid the fees and expenses attended with continued litigation of the claims and defenses asserted in the Subject Action.

9. The Parties hereby represent, warrant and agree that they will not and have not committed or permitted or agreed to any sale, encumbrance, hypothecation or transfer, whether by operation of law or otherwise, of any type, of the claim, right or cause of action to be released or discharged or which otherwise would have been affected pursuant to the provisions of this Agreement.

10. This Agreement is binding upon and shall inure to the benefit of the successors of the Parties.
11. All agreements of the Parties with respect to the subject matter hereof are in writing and supersede all prior agreements and understandings of the parties with respect thereto. This Agreement cannot be modified except by written document signed by all of the Parties.
12. Any person executing this Agreement on behalf of any party hereto does hereby personally represent and warrant to the other parties that he/she/it has the authority to execute this Agreement on behalf of, and to fully bind, such party.
13. This Agreement is the entire agreement between the Parties concerning the subject matter of this Agreement and replaces any prior negotiations, discussions or agreements between the Parties. None of the Parties are relying upon any other representations or agreements in connection with the subject matter of this Agreement.
14. This Agreement shall in all respects be interpreted, enforced and governed by and under the laws of the State of California.
15. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning, and not strictly for or against any of the parties.

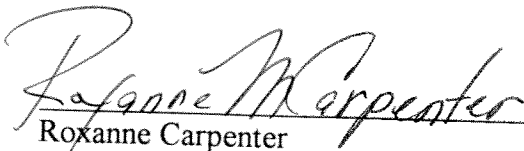
16. This Agreement and any documents necessary to carry out the provisions hereof, may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

17. Should any Party retain counsel for the purpose of enforcing or preventing the breach of any provision of this Agreement as set forth in the Agreement, including but not limited to, instituting or defending any action or proceeding to enforce any provision of this Agreement, for damages for any alleged breach of this Agreement, for a declaration of the Parties' rights or obligations under this Agreement or for any other judicial remedy, the prevailing party shall be entitled to be reimbursed by the losing party for all reasonable attorneys' fees and costs.

18. The parties hereby agree to execute such other documents and to take such other action as may be reasonably necessary to further the purpose of this Agreement, with the parties to bear their own costs and attorney's fees.

19. Except for the rights of beneficiaries pursuant to the releases provided, there are no third-party beneficiaries to this Agreement and nothing herein shall confer any enforceable rights on non-signatory persons or entities.

Dated: June 30, 1999.

  
Roxanne Carpenter

Dated: June \_\_, 1999.

  
Ray Rasmussen

Dated: June 15th, 1999.

South Mountain Water Company, Inc.

  
Michael L. Huffstutler  
President

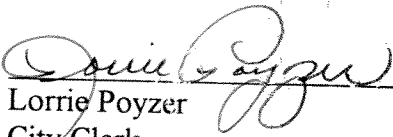
Dated: June 15th, 1999.

City of Redlands

  
William Cunningham  
Mayor

Dated: June 15th, 1999.

City of Redlands

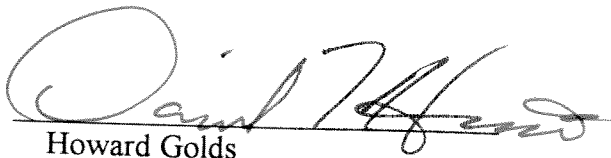
  
Lorrie Poyzer  
City Clerk

APPROVED AS TO FORM AND CONTENT:

Dated: June 17, 1999.

BEST BEST & KRIEGER LLP

By:

A handwritten signature in cursive script, appearing to read "David J. Hancock", written over a horizontal line.

Howard Golds

David J. Hancock

Attorney for Defendants South Mountain  
Water Company, Inc., City of Redlands and  
Michael L. Huffstutler