

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

REBECCA LEE WILLIS, on behalf of)
herself and all others similarly situated,)

Plaintiff,)

vs.)

LOS ANGELES COUNTY)
WATERWORKS DISTRICT NO. 40;)
CITY OF LANCASTER; CITY OF)
PALMDALE; PALMDALE WATER)
DISTRICT; LITTLE ROCK CREEK)
IRRIGATION DISTRICT; PALM RANCH)
IRRIGATION DISTRICT; QUARTZ HILL)
WATER DISTRICT; ANTELOPE)
VALLEY WATER CO.; ROSAMOND)
COMMUNITY SERVICE DISTRICT; and)
DOES 1 through 1,000;)

Defendants.)

JUDICIAL COUNCIL COORDINATION
PROCEEDING NO. 4408

**NOTICE OF PROPOSED WILLIS
CLASS ACTION SETTLEMENT
AND SETTLEMENT HEARING**

DATE: February 24, 2011

TIME: 10:00 a.m.

PLACE: Superior Court of Los Angeles
County, Courtroom 1 (5th Floor)
111 N. Hill Street
Los Angeles, CA

TO: PRIVATE LANDOWNERS WITHIN THE ANTELOPE VALLEY
THIS LEGAL NOTICE MAY AFFECT YOUR PROPERTY RIGHTS.
PLEASE READ IT CAREFULLY.

1. Why should I read this Notice?
2. What is this lawsuit about?
3. Who is covered by the proposed settlement?
4. What are the terms of the proposed settlement?
5. What do I need to do?
6. Can I exclude myself from the Class?
7. Why, when and where will the Settlement Hearing take place?
8. Who represents Plaintiff and the Class?
9. Why does Plaintiff's Counsel favor the Settlement?
10. How will Plaintiff's Counsel's fees be paid?
11. Will I have to pay anything?
12. Will I receive any monetary compensation?
13. What happens if the Settlement is approved by the Court?
14. What happens if the Settlement is not approved by the Court?
15. Where can I get additional information?
16. What are the Relevant Dates?
17. May I Pump Water on My Property?
18. What if I sell my property?

1. WHY SHOULD I READ THIS NOTICE

Available records indicate that you may own property in the Antelope Valley Groundwater Basin. Your property rights may be affected by the proposed settlement of this lawsuit. Your right to object to or comment on that settlement is described below. In addition, this notice contains important information about your disclosure obligations in the event you sell your property. **PLEASE TAKE THE TIME TO READ THIS IMPORTANT LEGAL NOTICE, WHICH IS DIFFERENT FROM THE PRIOR NOTICE SENT TO YOU ABOUT THIS CASE.**

2. WHAT IS THIS LAWSUIT ABOUT?

Under California law, property owners have a right to pump groundwater (water underneath the surface) and use it for reasonable purposes on their overlying land. In this case, however, the naturally available supply of water in the Basin may not be adequate to satisfy the needs of everyone who wants to use that water. Plaintiff Willis brought this action to protect her right and that of other “dormant” Antelope Valley landowners (i.e., persons who do not now and have not previously pumped groundwater on their properties) to pump groundwater and use the water on their properties in the future. She claims that she and other such landowners have water rights which are superior to the rights of certain public water suppliers and entities (listed as defendants on page 1) to use that water. The public water suppliers claim that their historical pumping has given them superior water rights.

This lawsuit has been consolidated with other pending cases relating to groundwater rights in the Antelope Valley, but the proposed settlement only concerns this case.

3. WHO IS COVERED BY THE PROPOSED SETTLEMENT?

You have been designated as a possible class member because records indicate that you own property in the Antelope Valley. **The Willis class includes all private (i.e., non-governmental) landowners within the Antelope Valley Groundwater Basin who do not pump and have not pumped water on their properties**, with certain exceptions set out below. A map of the Basin is attached to this notice.

You are not in the Class if you do not own real property within the Basin. In addition, you are **NOT** in the Class if any of the following are true as to you:

1. You pump groundwater on your property or have ever pumped water on your property; *or*
2. Your property is connected to *and* receives water from a public water system, public utility or mutual water company; *or*
3. You are already a party to this litigation.

4. WHAT ARE THE TERMS OF THE PROPOSED SETTLEMENT?

The following is a summary of the basic terms and conditions of the proposed settlement. You may view the complete settlement agreement at www.avgroundwater.com. If you do not have Internet access, you may request a copy of the settlement agreement by

writing to the following: Antelope Valley Groundwater Litigation, P.O. Box 12013, Riverside, CA 92502-9839.

In summary, the proposed settlement provides as follows: (capitalized terms are defined in the Agreement).

- a. The Class agrees not to contest the Settling Defendants' estimates of the Basin's Native Safe Yield. The Court will determine the Basin's Native Safe Yield based on evidence to be presented in open court.
- b. The Class agrees not to contest the Settling Defendants' estimates of the Basin's Total Safe Yield. The Court will determine the Basin's Total Safe Yield based on evidence to be presented in open court.
- c. The parties agree that the United States has a Federal Reserved Right to some portion of the Basin's Native Safe Yield, the amount of which will be determined by the Court.
- d. The Settling Parties agree that the Settling Parties each have rights to produce groundwater from the Basin's Native Safe Yield, as follows: (i) Settling Defendants collectively have the right to produce up to 15% of the Basin's Federally Adjusted Native Safe Yield; and (ii) the Willis Class has a correlative right (along with other overlying landowners) to produce up to 85% of the Federally Adjusted Native Safe Yield.
- e. All parties have the right to recapture return flows from water that they had imported. The Class agrees not to contest the Settling Defendants' estimates that such return flows total 28,200 acre-feet per year, of which 25,100 acre-feet is from municipal and industrial use.
- f. The Settling Parties agree that the Basin has limited water resources and that there is a need for a groundwater management plan for the Basin. The Parties have agreed to be bound by such a plan, as may later be ordered by the Court.
- g. The Settlement contains mutual releases of the claims the Settling Parties have asserted against each other in the litigation. The Settlement specifically provides that it will not prejudice the rights of non-settling parties.

5. WHAT DO I NEED TO DO?

You are not required to do anything. However, if you wish to object to the settlement or to Plaintiffs' Counsel's Application for Fees and Expenses, you should mail a Notice of Intent to Appear and Be Heard to the Clerk, Los Angeles County Superior Court, 111 N. Hill Street, Los Angeles, CA 90012. **That Notice should be sent by February 10, 2011** for it to be considered and must briefly state the position(s) you wish to take with respect to the Settlement and/or any related matters, such as counsel's fee application. In addition, you should send a copy of that Notice to the following attorneys by that date:

Ralph B. Kalfayan, Esquire
rkalfayan@kkbs-law.com
Krause Kalfayan Benink & Slavens LLP
625 Broadway, Suite 635
San Diego, CA 92101
Willis Class Counsel

Stefanie D. Hedlund, Esquire
avgroundwater@bbklaw.com
Best Best & Krieger LLP
400 Capitol Mall, Suite 1650
Sacramento, CA 95814
Liaison Counsel for Defendants

6. CAN I EXCLUDE MYSELF FROM THE CLASS?

No. Class members were previously given the opportunity to exclude themselves from the Class, but you may not do so at this time. If you previously excluded yourself from the Class and wish to rejoin the Class, you may request the Court's approval to do so by contacting Ms. Rowena Walker, Clerk, at (408) 882-2286.

7. WHY, WHEN, AND WHERE WILL THE SETTLEMENT HEARING TAKE PLACE?

The Court must approve the proposed settlement after a fairness hearing in order for the settlement to become effective. That fairness hearing will take place on February 24, 2011 at 10:00 a.m. in Courtroom 1 on the fifth floor of the Stanley Mosk Courthouse, 111 N. Hill Street, Los Angeles, CA 90012. ***You are welcome to attend that hearing but you are not required to attend.***

Any class member may appear in person or through counsel and state his or her comments on or objections to the proposed settlement and/or on counsel's fee application, but should mail a Notice of Intent to Appear pursuant to the procedures set forth in paragraph 5, above. ***You are not required to submit any papers to attend the fairness hearing, but if you wish to be heard at that hearing you should mail a Notice pursuant to the procedures set forth above.***

8. WHO REPRESENTS PLAINTIFF AND THE CLASS?

Plaintiff and the Class are represented by the following attorneys in this matter:

Ralph B. Kalfayan, Esquire ralph@kkbs-law.com
David B. Zlotnick, Esquire david@kkbs-law.com
Krause Kalfayan Benink & Slavens LLP
625 Broadway, Suite 635
San Diego, CA 92101
(619) 232-0331
(619) 232-4019 (fax)

9. WHY DOES CLASS COUNSEL SUPPORT THE SETTLEMENT?

Class Counsel believe that the settlement reflects a reasonable and fair resolution of the claims asserted in this matter. The Settling Defendants assert that they have prescriptive rights to substantially more than 15% of the Basin's Native Safe Yield; the Class asserts that the Settling Defendants have no such prescriptive rights. Counsel believe that the Settlement fairly compromises the parties' positions.

Under the Settlement, the Class has agreed not to contest the Settling Defendants estimates of the Basin's yield because we are confident that the Court will have adequate information to make an informed and fair determination of the Basin's yield. Other parties to the litigation have retained numerous experts who will provide evidence that will aid the Court in that determination.

The Court is required to independently determine the Basin's safe yield and other pertinent aspects of the Basin after hearing the relevant evidence, and the Settling Parties will be bound by the Court's findings in that regard. In addition, the Parties will be required to comply with the terms of any Physical Solution that may be imposed by the Court to protect the Basin, and the Court will not be bound by the Settling Parties' agreements in that regard. Willis

and Class Counsel believe that the Court will have the benefit of adequate relevant information to make fully informed decisions and that further participation by the Class may not be necessary. To the extent issues arise that affect the Class' rights, Class counsel will act to protect the Class' interests.

10. HOW WILL PLAINTIFF'S COUNSEL'S FEES BE PAID?

Plaintiffs' counsel will petition for an award of fees and expenses to be paid by the Settling Defendants. *You will not be responsible to pay any portion of their fees.*

Plaintiffs' counsel have worked on this matter for over 4 years without being paid and they have advanced considerable amounts to pay for out-of-pocket expenses, including travel, hearing transcripts, consultants, etc. Plaintiffs' Counsel reserve the right to seek a fee award of up to \$4.5 million to compensate them for their time and expenses in representing the Class in this matter. The Court will ultimately determine whether counsel are entitled to a fee award and the appropriate amount of any such award.

11. WILL I HAVE TO PAY ANYTHING?

No. You will not be required to pay anything in connection with the proposed settlement.

12. WILL I RECEIVE ANY MONETARY COMPENSATION FROM THE SETTLEMENT?

No. The settlement does not provide you with any monetary benefits. It simply preserves your correlative rights to use the groundwater under your property for reasonable and beneficial purposes.

13. WHAT HAPPENS IF THE SETTLEMENT IS APPROVED BY THE COURT?

If the Settlement is approved, the above litigation will be over. But the consolidated cases will continue until all claims to groundwater rights in the Basin have been settled or decided and a management plan (Physical Solution) has been adopted to protect the Basin, if necessary. The extent to which the Class will need to participate in those matters or other aspects of the consolidated cases is unclear at this time. The Class members will be bound by the terms of any later findings made by the Court and any Physical Solution imposed by the Court.

14. WHAT HAPPENS IF THE SETTLEMENT IS NOT APPROVED BY THE COURT?

If the settlement is not approved, the settlement agreement will be null and void and the parties will be returned to their prior positions in the litigation.

15. WHERE CAN I GET ADDITIONAL INFORMATION?

The amended complaint, the settlement agreement, and certain other documents from the litigation are available at www.avgroundwater.com. In addition, that website has a list of answers to certain other questions you may have and it has an e-mail address for you to obtain information if you have further questions. That website will be updated from time to time to advise you of the status of this litigation. Or you may call the following number for information: (619) 232-0331. Also, all of the documents filed in the case are available on the court's website at <http://www.scefiling.org/cases/casehome.jsp?caseId=19>.

16. WHAT ARE THE RELEVANT DATES?

The Settlement Hearing is scheduled for February 24, 2011. If you wish to be heard at the Hearing, you should mail a Notice of Intent to Appear and Be Heard with the Clerk, Los Angeles County Superior Court. **That Notice should be mailed by February 10, 2011** for it to be fully considered. In addition, by that date, you should send a copy of that Notice to the attorneys identified in paragraph 5, above.

17. MAY I PUMP WATER ON MY PROPERTY?

Yes. There are presently no restrictions on your ability to pump water on your property or the amount that you can pump for reasonable and beneficial uses on your property. However, it is likely that there will be limits imposed on the amount of pumping in the near future and that pumpers will be required to install meters on their pumps. *Hence, we strongly urge anyone who installs a pump on their property to make sure that it has a meter that will accurately record the amount of water pumped.* That will be less costly for you than being required to later install a meter on an existing pump.

18. WHAT HAPPENS IF I SELL MY ANTELOPE VALLEY PROPERTY?

If the Settlement is approved by the Court, anyone who acquires your property will be bound by the terms of the Settlement. Hence, you should disclose the terms of the Settlement to anyone who may acquire your Antelope Valley property.

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

Dated: December, 2010

BY ORDER OF THE SUPERIOR COURT OF CALIFORNIA FOR
THE COUNTY OF LOS ANGELES