

EXHIBIT 12

**SUPERIOR COURT FOR THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES**

RICHARD A. WOOD, an individual, on
behalf of himself and all others similarly
situated,

Plaintiff,

v.

LOS ANGELES COUNTY WATERWORKS
DISTRICT NO. 40; et al.

Defendants.

JUDICIAL COUNCIL COORDINATION
PROCEEDING No. 4408

**[PROPOSED] NOTICE OF
PROPOSED SETTLEMENT FOR THE
“SMALL PUMPER” CLASS ACTION
AND SETTLEMENT HEARING**

**TO CERTAIN ANTELOPE VALLEY LANDOWNERS: CAREFULLY READ AND
RESPOND TO THIS NOTICE, AS IT MAY AFFECT YOUR RIGHT TO PUMP
GROUNDWATER ON YOUR PROPERTY IN THE FUTURE.**

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1. WHY SHOULD I READ THIS NOTICE?

Available records indicate that you own property in the Antelope Valley Groundwater Basin (the “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 NOTICES SENT TO YOU ABOUT THIS CASE.***

2. WHAT IS THIS LAWSUIT ABOUT?

This Class Action lawsuit involves water rights in the Antelope Valley Groundwater Basin. Plaintiff Richard Wood brought this case to protect his right and those of other landowners (the Wood Class comprises persons who are pumping or have pumped less than 25 acre-feet of groundwater during any year from 1946 to the present) in the Basin to pump water on their properties in the future. The case has been combined with other cases to determine all the groundwater rights in the Basin. The Court has not yet decided the case.

Property owners have a right to pump groundwater (water underneath the surface) and use it for reasonable and beneficial purposes on their overlying land. The right to use groundwater, however, may be limited during times of groundwater shortage conditions. In this case, the naturally available supply of groundwater is not adequate to meet the groundwater pumping demands of everyone who wants to use that water. For that reason, the Court decides how much water can be pumped by each party under a claim of priority to use the groundwater. Richard Wood claims that he and other such landowners have water rights that are superior to the water rights of certain public water suppliers and entities, listed in the Settlement Agreement (“Settling Defendants”) who have used and continue to use groundwater. The public water suppliers claim that their historical pumping has given them superior water rights for a public water supply as to some or all of the Richard Wood and Wood Class members’ rights to use groundwater.

3. WHO IS COVERED BY THE PROPOSED SETTLEMENT?

You have been designated as a Class member because records indicate that you own property in the Antelope Valley. **The Wood Class includes all private (i.e., nongovernmental) landowners within the Antelope Valley Groundwater Basin who are pumping or have pumped less than 25 acre-feet of groundwater during any year from 1946 to the present on their properties,** with certain exceptions set out below.

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. Your property is connected to and receives water from a public water system, public utility

- or mutual water company; or
2. You are already a party to this litigation; or
 3. You have already timely excluded yourself from the Wood Class and have not rejoined the Class.

4. WHAT ARE THE TERMS OF THE PROPOSED SETTLEMENT?

The Small Pumper Class has previously settled its claims with the City of Lancaster, Palmdale Water District, Phelan Piñon Hills Community Services District, and the Rosamond Community Services District. By way of the current settlement, the Small Pumper Class is now attempting to resolve all claims with California Water Service Company, City of Palmdale, Desert Lake Community Services District, Littlerock Creek Irrigation District, Los Angeles County Waterworks District No. 40, Palm Ranch Irrigation District, and Quartz Hill Water District. Through the Stipulation for Entry of Judgment and Physical Solution, which is incorporated into the Small Pumper Class Stipulation of Settlement, the Small Pumper Class is also resolving its claims with many other parties claiming beneficial interest in the groundwater in the Antelope Valley basin. These additional parties are listed on the signature pages to the Judgment and Physical Solution.

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: Small Pumper Class Settlement, 44 Hermosa Avenue, Hermosa Beach, CA 90254.

In summary, the proposed settlement includes the following terms (capitalized terms are defined in the Settlement Agreement), in addition to other terms discussed in other sections of this Notice:

- A. Members of the Small Pumper Class will have the right to pump up to 3 acre-feet of groundwater per year for reasonable and beneficial use without having to pay any replacement water assessment. Small Pumper Class members pumping between 3 and 25 acre-feet per year will pay a replacement water assessment.
- B. To the extent the Settling Defendants have obtained water rights by prescription, those rights shall not be exercised to diminish the Small Pumper Class' water rights.
- C. The Parties agree that the United States has a Federal Reserved Right to some portion of the Basin's Native Safe Yield.
- D. The Class agrees not to challenge certain Parties' right to recapture return flows from water that they import. The Class agrees not to contest Settling Defendants' best estimates that agricultural use of imported water results in 34% return flows and municipal and industrial use of imported water results in 39% return flows.
- E. 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, which is subject to approval and modification by the Court. This management plan will be supervised and administered by a watermaster engineer and watermaster board, which will report to the Court.

- F. The Settlement contains mutual releases of the claims the Settling Parties have asserted against each other in the litigation.

5. WHAT DO I NEED TO DO?

You are not required to do anything, unless you wish to object to the settlement (paragraph 6, below). However, if you wish to object to the settlement or to Plaintiffs' Counsel's Application for Fees and Expenses, you must file a Notice of Intent to Appear and Be Heard with the Clerk, Los Angeles County Superior Court, 111 N. Hill Street, Los Angeles, CA 90012. **That Notice must be received by May 15, 2015** 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 must send a copy of that Notice to the following attorneys by that date:

Michael D. McLachlan
mike@mclachlanlaw.com
Law Offices of Michael D. McLachlan
44 Hermosa Avenue
Hermosa Beach, CA 90254
Class Counsel

Jeffrey V. Dunn
jeffrey.dunn@bbklaw.com
Best Best & Krieger LLP
18101 Von Karman Avenue, Suite 1000
Irvine, CA 92614
Liaison Counsel for Defendants

6. CAN I EXCLUDE MYSELF FROM THE CLASS?

No. All Class members have been given two prior opportunities to opt out of the Class, therefore the Court will not permit further opt outs.

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 August 3, 2015, at 10:00 a.m. in Room 222 of the Stanley Mosk Courthouse, 111 North Hill Street, Los Angeles, CA 90010. **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 only if he or she files a Notice of Intent to Appear and Be Heard pursuant to the procedures set forth in paragraph 5, above, on or before May 15, 2015.*

8. WHO REPRESENTS PLAINTIFF AND THE CLASS?

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

Michael D. McLachlan
mike@mclachlanlaw.com
Law Offices of Michael D. McLachlan
44 Hermosa Avenue
Hermosa Beach, CA 90254
310.954-8270
310 954 8271 (fax)

Daniel M. O'Leary
dan@danolearylaw.com
Law Offices of Daniel M. O'Leary
2300 Westwood Boulevard, Suite 105
Los Angeles, CA 90064
310.481.2020
310 481 0049 (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, and resolves the risk that the class members will lose water rights to the Settling Defendants. Further, the settlement protects the rights of all Class members to use water for domestic use in amounts sufficient to sustain such use without the requirement to pay any replacement water assessment.

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

Plaintiff's 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.* Plaintiff's Counsel has already been paid for some work on this matter.

Plaintiff's Counsel have worked on this matter for over seven years without being fully paid and they have advanced considerable amounts to pay for out-of-pocket expenses, including travel, hearing transcripts, consultants, etc. 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?

You will not be required to pay anything in connection with Plaintiff's Counsel's fees and costs. However, you will have to pay an annual administrative assessment which will be used to fund the watermaster appointed by the Court to implement certain provisions of the settlement. For those pumping in excess of three acre-feet of groundwater per year, the assessment will be up to \$5 per acre-foot, or as ordered by the Court. For those pumping less than three acre-feet per year, the administrative settlement will be based on 1.2 acre-feet of groundwater pumping multiplied by up to \$5 per acre-foot, or as ordered by the Court. You might also be required to pay an additional balance assessment in the future if the watermaster determines it necessary.

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

No. The settlement does not provide you with any monetary benefits.

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

If the settlement is approved, and not successfully appealed, the above litigation between and among the settling parties will be over and you will be bound by the stipulation for judgment and physical solution.

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 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 has an email 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. Also, all of the documents filed in the case are available on the court's website at <http://www.scefilng.org/cases/casehome.isp?caseld=19>.

16. WHAT ARE THE RELEVANT DATES?

The Settlement Hearing is scheduled for August 3, 2015. If you wish to be heard at the Hearing, you must file a Notice of Intent to Appear and Be Heard with the Clerk, Los Angeles County Superior Court, as discussed above in paragraph 5. **That Notice must be received by May 15, 2015** for it to be considered. In addition, by that date, you must 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 possible that there will be limits imposed on the amount of pumping in the future.

18. WHAT IF I PUMP MORE THAN 3 ACRE-FEET OF GROUNDWATER PER YEAR?

A Class Member will have the right to pump up to 3 acre-feet per year for reasonable and beneficial use on his or her property, without assessment. However, if you pump more than 3 acre-feet per year, you may be required to pay a replacement assessment in the future for any water you pump in excess of 3 acre-feet per year. This settlement does not affect your ability to continue to pump in excess of 3 acre-feet per year, but the Court may limit those rights in future proceedings. The replacement assessments, if any, will be levied by a court-appointed watermaster, who will implement various provisions of this settlement.

19. WILL I HAVE TO INSTALL A WATER METER ON MY PROPERTY?

If the watermaster develops a reasonable belief that you are pumping more than 3 acre-feet of groundwater per year, you may be required to install a water meter.

20. WILL MY GROUNDWATER USE BE MONITORED?

The watermaster may choose to monitor your water use through aerial photography and/or satellite imagery. The watermaster may also decide to subpoena your electrical usage records from your electrical utility provider. As noted above, if you are pumping less than 3 acre-feet of groundwater per year, you will not be required to install a meter.

21. 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: March ____, 2015

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