EXHIBIT A

BEST BEST & KRIEGER LLP
ERIC L. GARNER, Bar No. 130665
JEFFREY V. DUNN, Bar No. 131926
5 PARK PLAZA, SUITE 1500
IRVINE, CALIFORNIA 92614
TELEPHONE: (949) 263-2600
TELECOPIER: (949) 260-0972

OFFICE OF COUNTY COUNSEL
COUNTY OF LOS ANGELES
RAYMOND G. FORTNER, JR., Bar No. 42230
ASSISTANT COUNTY COUNSEL
FREDERICK W. PFAEFFLE, Bar No. 145742
SENIOR DEPUTY COUNTY COUNSEL
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 974-1901
TELECOPIER: (213) 458-4020

Attorneys for Plaintiff
LOS ANGELES COUNTY WATERWORKS
DISTRICT NO. 40

EXEMPT FROM FILING FEES UNDER GOVERNMENT CODE SECTION 6103

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TERRY McNALLY, CLERK
DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF KERN – METROPOLITAN DIVISION

S- 500-CV 254348 NEW

LOS ANGELES COUNTY WATERWORKS DISTRICT NO. 40,

Plaintiff,

vs.

DIAMOND FARMING COMPANY; BOLTHOUSE PROPERTIES, INC.; CITY OF LANCASTER; CITY OF LOS ANGELES; CITY OF PALMDALE; LITTLEROCK CREEK IRRIGATION DISTRICT; PALMDALE WATER DISTRICT; PALM RANCH IRRIGATION DISTRICT, QUARTZ HILL WATER DISTRICT; and DOES 1 through 25,000 inclusive;

Defendants.

Case No.

COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF AND ADJUDICATION OF WATER RIGHTS

Plaintiff Los Angeles County Waterworks District No. 40 alleges:

INTRODUCTION

1. This action seeks a judicial determination of all rights to ground water within the Antelope Valley Groundwater Basin. The adjudication is necessary to protect and conserve the vital water groundwater supply of the Antelope Valley that is vital to the health, safety and welfare of tens of thousands of persons and entities in communities who depend upon water deliveries from Los Angeles County Waterworks District No. 40, Antelope Valley (the "District"). For these reasons, the District files this complaint to promote and protect the general public welfare in the Antelope Valley; to protect the District's rights to pump and deliver water to the public; to protect the Antelope Valley from a loss of the public groundwater supply, to prevent degradation of the quality of the public groundwater supply; and to prevent land subsidence and higher costs to the public for water.

2. The District is a public agency governed by the Los Angeles County Board of Supervisors and lawfully organized to, among other things, provide water to the public in a large portion of the Antelope Valley. District customers must have a reliable and safe groundwater supply for domestic and business needs. To provide water to the public, the District has drilled and equipped wells to pump groundwater. The District has also constructed, maintained and operated a waterworks delivery system to supply the groundwater to the public. Without an adequate and safe groundwater supply, Antelope Valley residents and businesses in the Antelope Valley would likely not have enough water.

3. The District has appropriative and prescriptive rights to Basin groundwater as the District has pumped water from the Basin since at least 1919. Since that time, the District has pumped water from the Antelope Valley Basin and/or stored water in the Antelope Valley Basin by reasonable extraction means and has used the Antelope Valley Basin and/or its water for

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reasonable and beneficial purposes, and has done so under a claim of right in an actual, open, notorious, exclusive, continuous, uninterrupted, hostile, adverse use and/or manner for a period of time of at least five years and before filing this complaint.

4. Due to the shortage of water in the Basin, the District has purchased State Water Project water from the Antelope Valley-East Kern Water Agency in addition to pumping groundwater. The State Water Project water originates in northern California and would not reach the Basin but for the District's purchases. District customers pay millions of dollars each year for State Water Project water. The District purchases approximately 30,000 acre feet of Project water each year and delivers the purchased Project water to the public through the District's waterworks systems.

5. The District depends on the Basin for pumping of approximately 20,000 acre feet of water each year. District customers use Project water for a variety of uses and thus a portion of the Project water percolates into the Basin and commingles with the Basin's water from natural sources. The District's purchase and delivery of Project water augments the natural supply of groundwater in the Basin. Without the substantial investment of the District in purchasing the State Water Project water, the District would need to pump 50,000 acre feet of groundwater each year.

6. By storing Project water or other imported water in the Basin, the District could recover the stored water during times of drought, water supply emergencies, or other water shortages to ensure a safe and reliable supply of water to the public. The District is pursuing approvals to allow for the construction and operation of injection wells or other means by which State Water Project water or other water imported from outside the Basin may be injected or placed for storage in the Basin.

7. To provide water to the public, the District has and claims the following rights,

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each of which is paramount and superior to any overlying rights or other water rights, if any, claimed by any defendant:

A. The right to pump groundwater from the Antelope Valley Groundwater Basin in an annual amount equal to the highest volume of groundwater extracted by the District in any year preceding entry of judgment in this action according to proof, but not less than 18,944 acre feet;

B. The right to pump or authorize others to extract from the Antelope Valley Groundwater Basin a volume of water equal in quantity to that volume of water previously purchased by the District from the Antelope Valley-East Kern Water Agency and which has augmented the supply of water in the Basin in any year preceding entry of judgment in this action according to proof, but not less than 18,944 acre feet;

C. The right to pump or authorize others to extract from the Antelope Valley Groundwater Basin a volume of water equal in quantity to that volume of water purchased in the future by the District from the Antelope Valley-East Kern Water Agency which augments the supply of water in the Basin; and

D. The right to pump or authorize others to extract from the Antelope Valley Basin a volume of water equal in quantity to that volume of water injected into the Basin or placed within the Basin by the District or on its behalf.

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IRVINE, CALIFORNIA 92614

THE ANTELOPE VALLEY GROUNDWATER BASIN IS AND HAS BEEN IN A STATE OF OVERDRAFT

8. The Antelope Valley Groundwater Basin is located in Los Angeles and Kern counties. The Basin is located in an arid valley in the Mojave Desert, about 50 miles northeast of Los Angeles. The Basin encompasses about 940 square miles and generally includes the communities of Lancaster, Palmdale and Rosamond. The Basin is bounded on the south by the San Gabriel Mountains and on the northwest by the Tehachapi Mountains.

9. For over a century courts in California have used the groundwater basin concept to resolve groundwater disputes. A groundwater basin is an alluvial aquifer with reasonably well-defined boundaries in a lateral direction and a definable bottom.

10. Before there was groundwater pumping, natural water recharge to the Basin was in balance with water discharged from the Basin and water levels generally remained constant and in a state of long-term equilibrium. In or about 1915 there was significant pumping, primarily for agricultural purposes. Over time the rise of agricultural pumping destroyed the groundwater level equilibrium and caused a, long-term decline in groundwater levels and groundwater storage in the Basin.

11. There has never been a limit on groundwater pumping in the Basin. As a result of this lack of groundwater control and management over the past eighty years, the Basin has lost an estimated eight million acre feet of water. This loss of groundwater caused chronic declines in groundwater levels and land subsidence.

12. Land subsidence is the sinking of the Earth's surface due to subsurface movement of earth materials and is primarily caused by groundwater pumping. The District is informed and believes and upon that basis alleges that as much as six feet of subsidence has occurred in

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5 PARK PLAZA, SUITE 1500
IRVINE, CALIFORNIA 92614

portions of the Basin. The negative effects of land subsidence observed in the Basin include loss of groundwater storage space, cracks and fissures at the land surface and damage to real property.

13. Land subsidence, loss of groundwater storage, and declining groundwater levels injure the public welfare and threaten the communities that depend upon the Basin water. Land subsidence and chronic declines in groundwater levels continue because of unlimited groundwater pumping in the Basin.

14. Although agricultural pumping decreased for a limited time when groundwater levels became too low for agriculture to pump water from the Basin, agricultural pumping has increased in the past decade. During the same time, continued urbanization in and around the cities of Palmdale and Lancaster has increased the public's need for water. Existing pumping causes damage and injury to the Basin including land subsidence. Land subsidence exists and will increase unless the court establishes a safe yield for the Basin and limits pumping to the Basin's safe yield.

15. The District is informed and believes and upon that basis alleges the Basin is and has been in an overdraft condition for more than five (5) consecutive years and before the filing of the complaint in Riverside County Superior Court Case No. 344436 entitled *Diamond Farming Company vs. City of Lancaster*, and before the filing of this complaint. During said time periods, total annual demands upon the Basin have exceeded and continue to exceed the supply of water from natural sources. Consequently, there is and has been a progressive and chronic decline in Basin water levels and the available natural supply is being and has been chronically depleted. Unless limited by order and judgment of the court, potable Basin water will be exhausted and land subsidence will continue.

16. Each defendant has, and is now, pumping, appropriating and diverting water from the natural supply of the Basin, and/or claims some interest in the Basin water. The District is

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informed and believes and upon that basis alleges that the combined extraction of water by defendants exceeds the annual production of water from the Antelope Valley Basin, and that each defendant claims a right to take water and threatens to increase its taking of water without regard to the rights of the District. Defendants' pumping reduces Basin water tables and contributes to the deficiency of the Basin water supply as a whole. The deficiency results in a shortage of water to the public who depend upon the District to supply water from the Basin. Defendants continued and increasing extraction of Basin water has resulted in, and will result in, a diminution, reduction and impairment of the Basin water supply; causes land subsidence; and has and will deprive the District of its rights to provide water for the public's health, welfare and benefit.

17. The District is informed and believes and thereon alleges there are conflicting claims of rights to the Basin and/or its water.

18. The District is informed and believes and thereon alleges that defendants who own real property in the Basin claim an overlying right to pump Basin water. The overlying right is limited to the native safe yield of the Basin. The District alleges that because subsidence is an undesirable result and is occurring in the Basin, defendants are and have been pumping more than the Basin's safe yield.

PARTIES

19. The District is informed and believes, and on that basis alleges, that Diamond Farming Company is a California corporation that owns real property within Kern County and pumps groundwater from the Basin.

20. The District is informed and believes, and on that basis alleges, that Bolthouse Properties, Inc. is a California corporation that owns real property within Kern County and pumps groundwater from the Basin.

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21. The District is informed and believes, and on that basis alleges, that the City of Lancaster is a municipal corporation that provides groundwater from the Basin located in Kern and Los Angeles Counties.

22. The District is informed and believes, and on that basis alleges, that the City of Los Angeles is a municipal corporation that owns real property within Los Angeles County and pumps groundwater from the Basin located in Kern and Los Angeles Counties.

23. The District is informed and believes, and on that basis alleges, that the City of Palmdale is a municipal corporation that receives water from the Basin located in Kern and Los Angeles Counties.

24. The District is informed and believes, and on that basis alleges, that the Littlerock Creek Irrigation District is a public agency that pumps groundwater from the Basin located in Kern and Los Angeles Counties.

25. The District is informed and believes, and on that basis alleges, that the Palmdale Water District is a public agency that pumps groundwater from the Basin located in Kern and Los Angeles Counties.

26. The District is informed and believes, and on that basis alleges, that the Palm Ranch Irrigation District is a public agency that pumps groundwater from the Basin located in Kern and Los Angeles Counties.

27. The District is informed and believes, and on that basis alleges, that the Quartz Hill Water District is a public agency that pumps groundwater from the Basin located in Kern and Los Angeles Counties.

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28. The District is informed and believes, and on that basis alleges, that defendant Does 1 through 25,000, inclusive, own and/or lease real property within the Antelope Valley Groundwater Basin, extract water from the Basin, claim some right, title or interest to Basin water, and/or that their claims are adverse to the District's rights and claims. The District is unaware of their true names and capacities and therefore sues those defendants by fictitious names. The District will seek leave to amend this complaint to add such names and capacities when ascertained.

FIRST CAUSE OF ACTION

(For Declaratory Relief – Prescriptive Rights – Against all Defendants Except Public Entity Defendants)

29. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 28, inclusive.

30. For over fifty years, the California Supreme Court has recognized prescriptive water rights for public entities. The District alleges that it has continuously and for more than five years and before the date of this action pumped water from the Basin for reasonable and beneficial purposes and has done so under a claim of right in an actual, open, notorious, exclusive, continuous, hostile and adverse manner. The District further alleges that defendants have had actual and/or constructive notice of District's pumping either of which is sufficient to establish District's prescriptive right.

31. The District contends that defendants' rights to pump Basin water are subordinate to the prescriptive right of the District and to the general welfare of the citizens, inhabitants and customers serviced by Los Angeles County Waterworks District No. 40, Antelope Valley.

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32. An actual controversy has arisen between the District and defendants. The District alleges, on information and belief, that defendants' dispute the contentions of the District as described in the immediately preceding paragraph.

33. The District seeks a judicial determination as to the correctness of its contentions and an *inter se* finding as to the priority and amount of Basin water to which the District and each defendant are entitled to pump from the Basin.

SECOND CAUSE OF ACTION

(For Declaratory Relief – Appropriative Rights – Against all Defendants)

34. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 33, inclusive.

35. The District alleges that in addition to, or alternatively to, its prescriptive rights, it has appropriative rights to pump water from the Basin. Appropriative rights attach to surplus water from the Basin. There is surplus water in the Basin when the amount of water being extracted from it is less then the maximum that can be withdrawn without adverse effects on the Basin's long-term supply.

36. Surplus water exists when the pumping from the Basin is less than the safe yield. Safe yield is the maximum quantity of water which can be withdrawn annually from a groundwater Basin under a given set of conditions without causing an undesirable result. Undesirable result generally refers to a gradual lowering of the groundwater levels in the Basin, but also includes subsidence.

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37. Overlying pumpers are only entitled to make reasonable and beneficial use of the native safe yield.

38. An actual controversy has arisen between the District and defendants. The District alleges, on information and belief, that defendants seek to prevent District from pumping surplus water.

39. The District seeks a judicial determination as to the quantity of safe yield, the quantity of surplus water available, the correlative overlying rights of defendants to the safe yield and an *inter se* determination of the rights of overlying, appropriative and prescriptive pumpers.

THIRD CAUSE OF ACTION

(For Declaratory Relief – Physical Solution – Against all Defendants)

40. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 39, inclusive.

41. Upon information and belief, the District alleges that defendants claim an interest or rights to Basin water and further claim they can increase their pumping without regard to the rights of the District. Unless restrained by order of the court, defendants will continue to take increasing amounts of Basin water to the great and irreparable damage and injury to the District and to the Basin. The damage and injury to the Basin cannot be compensated for in money damages.

42. By reason of the large and increasing amounts of Basin water extracted by defendants as alleged above, the amount of Basin water available to the District has been reduced. Unless defendants and each of them are enjoined and restrained, the aforementioned conditions will continue and will become more severe; and there will be further depletion of the Basin

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groundwater supply which will further permanently damage the Basin's ability to supply water to the public.

43. Pursuant to California law it is the duty of the trial court to consider a "physical solution" to water rights disputes. A physical solution is a common sense approach to resolving water rights litigation that seeks to satisfy the reasonable and beneficial needs of all parties through augmenting the water supply or other practical measures. The physical solution is a practical way of fulfilling the mandate of Article X, section 2 of the California Constitution that the water resources of the State be put to use to the fullest extent of which they are capable.

44. To prevent irreparable injury to the Basin, it is necessary that the court determine, impose and retain continuing jurisdiction to enforce a physical solution upon the parties who pump water from the Basin. The solution to the Basin problems may include, but is not limited to, a monetary assessment, and metering and assessments upon Basin water extraction to pay for the purchase, delivery of supplemental supply of water to the Basin, and the court appointment of a watermaster.

FOURTH CAUSE OF ACTION

(For Declaratory Relief – Municipal Priority – Against all Defendants)

45. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 44, inclusive.

46. The District has the right to pump water from the Basin not only to meet existing public needs for water, but also to take increased amounts of Basin water as necessary to meet future public needs. The District's rights to Basin water exist not only as a result of the priority and extent of the District's appropriative and prescriptive rights, but exist as a matter of law and public policy of the State of California: "It is hereby declared to be the established policy of this

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State that the use of water for domestic purposes is the highest use of water and that the next highest use is for irrigation." (*Water Code* §106.)

47. *Water Code* Section 106.5 provides: "It is hereby declared to be the established policy of this State that the right of a municipality to acquire and hold rights to the use of water should be protected to the fullest extent necessary for existing and future uses. . . ."

48. Under *Water Code* sections 106 and 106.5, the District has a prior and paramount right to Basin water as against all non-municipal uses.

49. An actual controversy has arisen between the District and defendants. The District alleges, on information and belief, that defendants dispute the District's contentions as described in the paragraphs 46 through 48, inclusive. The District is informed and believes and on that basis alleges that the groundwater pumped by a majority of the defendants is used for irrigation purposes.

50. The District seeks a judicial determination as to the correctness of its contentions and to the amount of Basin water to which the parties are entitled to pump from the Basin. The District also seeks a declaration that it has the right to pump water from the Basin to meet its reasonable present and future needs, and that such rights are prior and paramount to the rights, if any, of defendants to the use of Basin water for irrigation purposes.

FIFTH CAUSE OF ACTION

(Declaratory Relief – Storage of Imported Water in The Basin – Against all Defendants)

51. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 50, inclusive.

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52. The District purchases and uses water from the State Water Project. The Project water is not native to the Basin and the imported Project water decreases the District's pumping from the Basin. This imported water would not otherwise have been brought to the Basin but for the District purchase and delivery. The District pays a substantial cost for this imported water supply which cost is an annual amount subject to cost increases over time.

53. The District alleges that there is available space in the Basin in which to store imported water.

54. As an importer of Project water, the District has the right to store imported Project water in the Basin and the District has the sole right to pump or otherwise use its stored imported Project water. The rights, if any, of defendants are limited to the native supply of the Basin and to their own imported water, and defendants' rights, if any, do not extend to groundwater derived from any water imported into the Basin by the District.

55. An actual controversy has arisen between the District and defendants. The District alleges, on information and belief, that defendants' dispute the District's contentions described in paragraphs 52 through 54, inclusive.

56. The District seeks a judicial determination as to the correctness of its contentions, that the District can store and recapture its imported Project water in the Basin, and that the District has the sole right to pump or otherwise use such stored Project water.

SIXTH CAUSE OF ACTION

(Declaratory Relief – Recapture of Return Flows From Imported Water Stored in The Basin – Against all Defendants)

57. The District alleges and incorporates by reference herein allegations in paragraphs

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1 through 56, inclusive.

58. A portion of the water that the District imports and uses and continues to import and use from outside the Basin returns or enters and will continue to return or enter the Basin and are commonly known as "return flows." These return flows augment the Basin's water supply.

59. The District alleges that there is available space in the Basin to store return flows from the water imported by the District.

60. The District has the sole right to recapture return flows attributable to the water it imports or is imported on the District's behalf. The rights, if any, of defendants are limited to the Basin's native supply and/or to their imported water, and do not extend to groundwater attributable to the District's return flows.

61. An actual controversy has arisen between the District and defendants. The District alleges, on information and belief, that defendants' dispute the contentions of the District as described in paragraphs 58 through 60, inclusive.

62. The District seeks a judicial determination as to the correctness of its contentions and that the District has the sole right to recapture its imported return flows in the Basin at the present and into the future.

SEVENTH CAUSE OF ACTION

(Unreasonable Use of Water - Against all Defendants Except Public Entity Defendants)

63. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 62, inclusive.

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64. Article X, Section 2 of the California Constitution is the cardinal principle of California water law, superior to any water rights priorities and requires that water use not be unreasonable or wasteful. The reasonable use of water depends on the facts and circumstances of each case. What may be reasonable in areas of abundant water may be unreasonable in an area of scarcity, and what is a beneficial use at one time may become a waste of water at a later time.

65. The District is informed and believes and on that basis alleges that the use of water by some defendants for irrigation purposes is unreasonable in the arid Antelope Valley and constitutes waste, unreasonable use or an unreasonable method of diversion or use within the meaning of Article X, Section 2 of the California Constitution, and is thereby unlawful.

66. An actual controversy has arisen between the District and defendants. The District alleges, on information and belief, the defendants' dispute the District's contentions in paragraphs 64 through 65, inclusive.

67. The District seeks a judicial declaration that defendants have no rights to unreasonable use, unreasonable methods of use, or waste of water, and their rights, if any, should be determined *inter se* on the reasonable use of water in the arid Antelope Valley rather than upon the amount of water actually used.

EIGHTH CAUSE OF ACTION

(Unreasonable Use of Water - Against Defendants Diamond Farming and Bolthouse Properties, Inc.)

68. The District alleges and incorporates by reference herein allegations in paragraphs 1 through 67, inclusive.

69. Article X, Section 2 of the California Constitution is the cardinal principle of

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5 PARK PLAZA, SUITE 1500
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California water law, superior to any priorities and requires that water use not be unreasonable or wasteful. Reasonable use of water depends on the facts and circumstances of each case.

70. The District is informed and believes and on that basis alleges that there were and are overdraft conditions in the Basin before defendants Diamond Farming and Bolthouse Properties, Inc., began pumping Basin water. For their own private profit and in harm to the public's need for a secure supply of Basin water, Defendants Diamond Farming and Bolthouse Properties, Inc., have increased their pumping so that they collectively take more Basin water than any other single user of Basin water - despite existing Basin overdraft conditions including land subsidence.

71. Defendants Diamond Farming and Bolthouse Properties, Inc., recently commenced additional, excessive pumping of Basin water for their private profit that causes harm to existing agricultural users of Basin water and to the entities supplying water to the public all of whom depend upon a safe and secure Basin water supply. Given the water overdraft conditions in the Basin, the excessive uses of Basin water by defendants Diamond Farming and Bolthouse Properties, Inc., require an unreasonable amount of Basin water in the arid Antelope Valley and threaten established communities and agricultural users that were and are already dependent upon Basin water.

72. The District is informed and believes and on that basis alleges that the recently commenced use of Basin water by defendants Diamond Farming and Bolthouse Properties, Inc., is unreasonable in the arid Antelope Valley and constitutes waste, unreasonable use or an unreasonable method of diversion or use within the meaning of Article X, Section 2 of the California Constitution, and is injurious to the public and thereby unlawful.

73. An actual controversy has arisen between the District and defendants Diamond Farming and Bolthouse Properties, Inc. The District alleges, on information and belief, the

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IRVINE, CALIFORNIA 92614

defendants' dispute the District's contentions in paragraphs 69 through 72, inclusive.

74. The District seeks a judicial declaration that defendants Diamond Farming and Bolthouse Properties, Inc., have no right to take Basin water in any way that harms the public, creates a risk of overdraft conditions in the Basin, constitutes unreasonable methods of use, or waste of water; and their rights, if any, should be determined *inter se* on the previously-existing public and agricultural needs and uses of Basin water in the arid Antelope Valley.

PRAYER FOR RELIEF

WHEREFORE, Los Angeles County Waterworks District No. 40, Antelope Valley prays for judgment as follows:

1. Judicial declarations consistent with the District's contentions in paragraphs 31, 35-39, 40-44, 46-50, 52-56, 58-62, 64-67, and 69-74, above;

2. For preliminary and permanent injunctions which prohibit defendants, and each of them, from taking, wasting or failing to conserve water from the Antelope Valley Groundwater Basin in any manner which interferes with the rights of the Los Angeles Waterworks District No. 40, Antelope Valley to take water from or store water in the Basin to meet its reasonable present and future needs;

3. For prejudgment interest as permitted law;

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4. For attorney, appraisal and expert witness fees and costs incurred in this action; and

5. Such other relief as the court deems just and proper.

Dated: November 30, 2004

BEST BEST & KRIEGER LLP

By: _____
ERIC L. GARNER
JEFFREY V. DUNN
Attorneys for Plaintiff
LOS ANGELES COUNTY
WATERWORKS DISTRICT NO. 40

LAW OFFICES OF
BEST BEST & KRIEGER LLP
5 PARK PLAZA, SUITE 1500
IRVINE, CALIFORNIA 92614