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The George and Charlene Lane Family Trust;
The Frank and Yvonne Lane 1993 Family Trust;
Monte Vista Building Sites, Inc., and A.V. Materials, Inc.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

Coordination Proceeding Special Title
(Rule 1550 (b))

Judicial Council Coordination No. 4408
[Assigned to Hon. Jack Komar; Dept 17]

**ANTELOPE VALLEY GROUNDWATER
CASES**

Santa Clara Case No.: 1-05-CV-049053

Included **CONSOLIDATED** Actions:

**DECLARATION OF GEORGE M. LANE
IN SUPPORT OF LANE FAMILY'S
REPLY TO GRANTE CONSTRUCTION
COMPANY'S OPPOSITION TO MOTION
FOR POST-JUDGMENT
SUPPLEMENTAL ORDER**

Los Angeles County Waterworks District No.
40 vs. Diamond Farming Company
Los Angeles Superior Court Case No.
BC325201

[Filed Concurrently with Lane Family's Reply
to Granite Construction Company's
Opposition to Motion for Post Judgment
Order]

Los Angeles County Waterworks District No.
40 vs. Diamond Farming Company
Kern County Superior Court Case No. S-1500-
CV-254348 NFT

Date: March 21, 2016
Time: 1:30 p.m.
Dept.: 1
Court: San Jose Superior Court
191 N. First Street
San Jose, CA 95113

Diamond Farming Company vs. City of
Lancaster Riverside County Superior Court
Lead Case No. RIC 344436 [Consolidated w/
Case Nos. 344668 & 353840]

Willis v. Los Angeles County Waterworks
District No. 40; Los Angeles Superior Court
Case No. BC 364553

Wood v. Los Angeles County Waterworks
District No. 40; Los Angeles Superior Court
Case No. BC 391869

1 **DECLARATION OF GEORGE M. LANE**

2 I, GEORGE M. LANE, declare:

3 1. I am a trustee for the George and Charlene Lane Family Trust, a party to this
4 action. I am an officer of the following corporations that are parties to this action: Little Rock
5 Sand and Gravel, Inc., Monte Vista Building Sites, Inc., and A.V. Materials, Inc. I am also an
6 authorized representative of the Frank and Yvonne Lane 1993 Family Trust, Dated March 5,
7 1993, as Restated July 20, 2000. Each of these corporations and trusts are affiliated with my
8 family (the corporations and trusts are collectively referred to as the "Lane Family"). I have
9 personal knowledge of each fact herein and would competently testify thereto under oath.

10 2. In 1987 the Lane Family (Little Rock Sand and Gravel, Inc.) entered into a Lease
11 for the lease of approximately 240 acres of mineral resource property in Palmdale, California
12 (the "Leased Property") to Granite Construction Company ("Granite"). As the President of Little
13 Rock Sand & Gravel, Inc., I am familiar with the Lease and the operations of Granite on the
14 Leased Property. I am the custodian of records and files of Little Rock Sand & Gravel, Inc. as
15 those records and files pertain to the Leased Property. I am also familiar with the approximately
16 55 acres of land purchased by Granite that is immediately adjacent to the Leased Property (the
17 "Granite Adjacent Property").

18 3. In addition to the Leased Property, the Lane Family owns contiguous to the
19 Leased Property over 600 acres of mineral resource property.

20 4. To the best of my knowledge, at all times during the past 28 years of the Lease
21 term, all of the water pumped by Granite from wells located on the Leased Property has been
22 used on the Leased Property.

23 5. I have read William Taylor's March 7, 2016 declaration. Paragraph 10 of Mr.
24 Taylor's declaration states that "Since January 2013 Granite has operated the Little Rock Quarry
25 as an integrated unit." On several occasions since January 2013, and most recently within the
26 last week, I have visited the Leased Property and the Granite Adjacent Property. On each of
27 those occasions I did not see any quarrying or mining activity on the Granite Adjacent Property.
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1 6. Mr. Taylor states (at ¶11) that the viable alluvial deposits on the Leased Property
2 were “substantially depleted by year 2015.” In spite of the alleged “depletion,” Mr. Taylor
3 indicates (at ¶12) that Granite will continue to use its wells on the Leased Property and the water
4 produced therefrom to support its quarry operations and dust control while mining Granite’s
5 Adjacent Property “into the foreseeable future.” Further, he states (at ¶13) that “through the
6 foreseeable future, and duration of the Lease, Granite will use water produced from the wells to
7 mine and process aggregates from Granite’s Adjacent Property at the Little Rock Quarry.”
8 Accordingly, it is my understanding that water will continue to be pumped and used on the
9 Leased Property at least until 2021 (the end of the current Lease term) and possibly beyond that
10 date should the Lease term be extended.

11 7. Although we have not received formal notice that depletion is imminent, the
12 Lease does permit Granite to select one of two options once it has made a determination that it is
13 unable to further extract materials in commercially paying quantities from all areas of the Leased
14 Property (a “depletion notice”). (First Amendment to Lease at §6.B.). To exercise either option
15 requires a depletion notice from Granite to the Lane Family. As stated above, we have not
16 received a depletion notice and therefore the Lane Family anticipates that Granite will continue
17 to mine on the Leased Property for at least the next five years when the Lease will be up for
18 renewal.

19 8. If Granite elects to give a depletion notice, the Lease provides that Granite “may
20 import and process materials on the leases [sic] premises.” (First Amendment to Lease §6.B.1) or
21 “Lessee may extract and process materials located beneath Lessee’s facilities” which are located
22 on the Leased Property (Lease §6.B.2). Nowhere does the Lease permit Granite to pump or use
23 groundwater pumped on the Leased Property beyond the term of the Lease, and if Granite were
24 to elect one of the options set forth above, then the Lease requires that Granite’s operations
25 continue on the Leased Property. There is no provision allowing Granite to remove pumped
26 groundwater from the Leased Property to use at another location. In fact, during the term of the
27 Lease, the Lease only contemplates that “Leased Materials” defined as “quarry products, stone,
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1 rock, sand, and aggregate” will be removed from the property. (Lease §1). Therefore, we expect
2 that at all times during the term of the Lease that Granite will conduct its operations and use of
3 water on the Leased Property.

4 9. The Lane Family has participated through its lawyers in the groundwater rights
5 adjudication in the Antelope Valley. Although the Lease permits use by Granite of the Lessor’s
6 groundwater rights during the term of the Lease only, it became apparent to me that Granite was
7 attempting, through the negotiations, bartering and trade-offs between all of the parties to the
8 adjudication, to permanently claim all or a portion of the Lane Family’s groundwater rights
9 based upon its pumping on the Leased Property during the term of the Lease. It has never been
10 my understanding or my intention that we would forfeit our groundwater rights by having our
11 tenant exercise them.

12 10. According to Mr. Taylor’s declaration (at ¶15), Granite and the Lane Family
13 agreed on March 31, 2014 to “allocate 100 acre feet of water to Granite and 134 acre feet to
14 LS&G for Granite’s Little Rock Quarry.” The Lane Family never agreed to any such allocation.
15 Mr. Taylor further states (at ¶16) that “Granite did not and could not have agreed to a smaller
16 allocation. To do so, would jeopardize the financial viability of Granite’s Little Rock Quarry,
17 and also its Big Rock Quarry in the future.” Notably, Mr. Taylor does not mention that Granite
18 has a well on its Big Rock Quarry which it can use for its future purposes. As for jeopardizing
19 the financial viability of its quarries, so long as Granite is conducting operations on the Leased
20 Property (either by mining on the Leased Property, including beneath its facilities, or by
21 importing and processing materials on the Leased Property as provided in the Lease), there
22 should not be an issue as to Granite’s continued use of the groundwater rights appurtenant to the
23 Leased Property. However, to the extent Granite is permitted to utilize the Lane Family’s
24 groundwater rights on other property, the Lane Family’s financial viability is at great risk. The
25 proposition that a tenant can divest the water rights of its landlord and utilize those rights at
26 another property is illogical and in my mind runs counter to the express terms of the Lease. As
27 stated in my letter to Granite of January 13, 2015, a true and correct copy of which is attached to
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1 the Declaration of Theodore A. Chester, Jr. ("Chester Decl.") as Exhibit "1," "To my knowledge,
2 out of the hundreds of litigants in the water adjudication lawsuit, Granite is the only entity trying
3 to claim its landlord's share of water rights." In my opinion, Granite knowing that it had no
4 ability to prove that it pumped water on the Granite Adjacent Property, and thereby be entitled to
5 an allocation from the stipulating parties, is attempting to enforce a questionable claim solely
6 against us.

7 11. On November 22, 2014 I sent a letter to James H. Roberts, President and CEO of
8 Granite as well as its Board of Directors. A true and correct copy of my letter is attached to
9 Chester Decl. as "Exhibit 2." In my letter I advised Mr. Roberts and the Board that the local
10 division of Granite was claiming our water rights in the adjudication and that this was, in my
11 opinion, improper and contrary to the lease terms. I requested that Mr. Roberts and the Board
12 give this issue their immediate attention.

13 12. On December 1, 2014, I sent another letter to Mr. Roberts advising that I still had
14 not heard from Granite's local management, but instead received a letter sent to my lawyer from
15 Granite's lawyer. I asked that the principals meet to discuss the issues and I reminded him of the
16 Lease provision at Paragraph 3.2 which provides that "during the term of the lease, Granite has
17 the right to use the water." A true and correct copy of my letter is attached to Chester Decl. as
18 Exhibit "3."

19 13. On December 19, 2014 I met with Granite's local management. We discussed
20 various issues and Granite's representative said he would get back to us. When I did not hear
21 back, I sent my January 13, 2015 letter (Exhibit "1") to James Roberts. In my letter I once again
22 reminded Mr. Roberts that any attempt to claim the Lane Family water rights contradicted the
23 terms of the Lease. I indicated that I wished to resolve this matter.

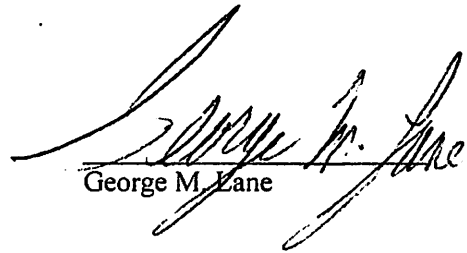
24 14. My January 26, 2015 letter notified Mr. Roberts that I did not believe that Granite
25 was willing to compromise and that although I had suggested that our disagreement be mediated
26 or arbitrated, that offer was rejected by Granite's Bruce McGowan. A true and correct copy of
27 my January 26, 2015 letter is attached to Chester Decl. as Exhibit "4." I advised that the Lane
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1 Family would execute the overall Stipulation, but that the ultimate subdivision of the jointly
2 allocated water right will have to await Judge Komar's decision following approval of the
3 overall settlement.

4 I declare under penalty of perjury under the laws of the State of California that the
5 foregoing is true and correct.

6 Executed on March 14, 2016 at Lancaster, California.

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George M. Lane

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PROOF OF SERVICE

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

I, Felicia Herbstreith am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is: 140 South Lake Avenue, Suite 274, Pasadena, California 91101.

On **March 14, 2016**, I served the foregoing document described as: **DECLARATION OF GEORGE M. LANE IN SUPPORT OF LANE FAMILY'S REPLY TO GRANITE CONSTRUCTION COMPANY'S OPPOSITION TO MOTION FOR POST-JUDGMENT SUPPLEMENTAL ORDER** on the interested parties in this action by posting the document listed above to the Santa Clara County Superior website in regard to the Antelope Valley Groundwater Adjudication matter, pursuant to the Electronic Filing and Service Standing Order of Judge Komar.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on **March 14, 2016**, at Pasadena, California.


Felicia Herbstreith