CASE MANAGEMENT STATEMENT

Cross-Complainant Phelan Piñon Hills Community Services District ("Phelan Pinon Hills CSD") hereby submits this Case Management Statement in response to the Amended Order and Notice to all Counsel regarding Phase 3 Trial on Status of Aquifer and Issue of Overdraft, issued March 11, 2010.

Introduction and Procedural Background

Phelan Pinon Hills CSD is a community services district located in western San Bernardino County. It serves approximately 21,000 residents of the unincorporated communities of Phelan and Piñon Hills in a 128 square-mile area, the western edge of which overlies the county line between Los Angeles and San Bernardino counties.

One of Phelan Pinon Hills CSD's principal ground water production wells is located within the boundaries of the Antelope Valley Ground Water Basin ("Basin"), as determined by the Court in its "revised Order After Hearing on Jurisdictional Boundaries" issued March 12, 2007.

On December 6, 2008, cross-complainants Rosamond Community Services District and Los Angeles Waterworks District (collectively, "LA Waterworks District 40") filed an amendment to their First Amended Cross-Complaint naming Phelan CSD as Roe 624, and shortly thereafter served Phelan Pinon Hills CSD with a copy of that complaint.

On or about December 30, 2008, Phelan Pinon Hills CSD filed its cross-complaint and its answer.

On January 19, 2009, Bolthouse Properties, LLC cross-complained against Phelan Pinon Hills CSD. Phelan Pinion Hills CSD answered that cross-complaint on February 17, 2009.

On March 10, 2009, A. V. United Mutual Group cross-complained against Phelan Pinon Hills CSD. Phelan Pinon Hills CSD answered that cross-complaint on April 7, 2009.

On April 16, 2009, Diamond Farming Company and Crystal Organic Farms jointly cross-complained against Phelan Pinon Hills CSD for monetary and equitable relief. Phelan Pinon Hills CSD answered that cross-complaint on May 15, 2009

On April 24, 2009, Grimmway Enterprises, Inc., and Lapis Land Company, LLC, jointly cross-complained against Phelan Pinon Hills CSD for monetary and equitable relief. Phelan

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Pinon Hills CSD answered that cross-complaint on May 24, 2009.

Discovery Issues

On May 29, 2009, the Plaintiff Rebecca Lee Willis propounded sets one of form interrogatories, special interrogatories, demand for production of documents, and request for admissions. Phelan Pinon Hills CSD responded to said discovery on August 6, and 10, 2009.

Phelan Pinion Hills CSD anticipates conducting discovery on the issues raised in the above described cross complaints by and against Phelan Pinion Hills CSD as well as the issues raised in Phelan Pinion Hills CSD's answers to cross complaints. Issues for discovery include, but are not limited to, the injuries and damages claimed by cross complainants and causation of same.

Phelan Pinon Hills CSD's Proposed Issues for Phase 3 Trial

Based upon its review of the transcripts of the evidence introduced during the Phase 1 and 2 trials, Phelan Pinon Hills CSD contends that the some portions of the Basin are in a state of overdraft, other areas in the Basin may be at risk of being overdrafted, and yet other areas of the Basin may be in a condition of equilibrium, at least for the purposes of managing the Basin. Phelan Pinon Hills CSD intends to present evidence on these issues, as well as the currently existing condition of the southwestern portion of the Basin in the vicinity of its Well 14. Phelan Pinon Hills CSD also intends to present evidence of the geographic and hydrogeologic setting of its Well 14, as well as evidence of production and return flow.

In addition, Phelan Pinon Hills CSD intends to present appropriate rebuttal evidence in response to evidence submitted by cross complainants and others in Phase 3 and, if necessary, issues relating to the boundary of the Basin and groundwater conditions applicable to \parallel

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the Southeastern portion of the designated adjudicated area which give rise to management considerations.

Dated: March 15, 2010

SmithTrager LLP

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Attorneys for Defendant and Cross-Complainants Phelan Piñon Hills Community Services District